AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JULY 28, 2000
REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

NOVATEL WIRELESS, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	8412	86-0824673
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

9360 TOWNE CENTRE DRIVE
SUITE 110
SAN DIEGO, CA 92121
(858) 320-8800
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

JOHN MAJOR
CHIEF EXECUTIVE OFFICER
NOVATEL WIRELESS, INC.
9360 TOWNE CENTRE DRIVE
SUITE 110
SAN DIEGO, CA 92121
(858) 320-8800
(NAME, ADDRESS INCLUDING ZIP CODE, AND TELEPHONE NUMBER INCLUDING AREA CODE, OF AGENT FOR SERVICE)

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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:
As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended, check the following box. [ ]

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ] _____

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ] _____

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ] _____

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE
Common Stock, $0.001 par value per share.....	$105,000,000	$27,720

(1) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(o) under the Securities Act.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED , 2000

Shares

[NOVATEL LOGO]

Common Stock

Prior to this offering, there has been no public market for our common stock. The initial public offering price of the common stock is expected to be between $ and $ per share. We have applied to list our common stock on The Nasdaq Stock Market's National Market under the symbol "NVTL".

The underwriters have an option to purchase a maximum of additional shares to cover over-allotments of shares.

INVESTING IN OUR COMMON STOCK INVOLVES RISKS. SEE "RISK FACTORS" ON PAGE 6.

	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS	PROCEEDS TO NOVATEL WIRELESS
Per Share	$	$	$
Total	$	$	$

Delivery of the shares of common stock will be made on or about , 2000.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

CREDIT SUISSE FIRST BOSTON

U.S. BANCORP PIPER JAFFRAY

BANC OF AMERICA SECURITIES LLC

The date of this prospectus is , 2000

The inside front cover contains a graphic of our product portfolio.

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YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS DOCUMENT OR TO WHICH WE HAVE REFERRED YOU. NEITHER WE NOR THE UNDERWRITERS HAVE AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION THAT IS DIFFERENT. THIS DOCUMENT MAY BE USED ONLY WHERE IT IS LEGAL TO SELL THESE SECURITIES. THE INFORMATION IN THIS PROSPECTUS IS ACCURATE ONLY AS OF THE DATE OF THIS DOCUMENT.

DEALER PROSPECTUS DELIVERY OBLIGATION

UNTIL , 2000 (25 DAYS AFTER COMMENCEMENT OF THIS OFFERING), ALL DEALERS THAT EFFECT TRANSACTION IN THESE SECURITIES, WHETHER OR NOT PARTICIPATING IN THIS OFFERING, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS IS AN ADDITION TO THE DEALER'S OBLIGATION TO DELIVER A PROSPECTUS WHEN ACTING AS AN UNDERWRITER AND WITH RESPECT TO UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

PROSPECTUS SUMMARY

You should read the following summary together with the more detailed information regarding our company and financial statements appearing elsewhere in this prospectus. This prospectus contains forward-looking statements. The outcome of the events described in these forward-looking statements is subject to risks and actual results could differ materially. The sections entitled "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business," as well as those discussed elsewhere in this prospectus, contain a discussion of some of the factors that could contribute to those differences.

OUR COMPANY

We are a leading provider of wireless data communications access solutions. We provide wireless data modems and software for use with handheld computing devices and portable personal computers. Our products enable professionals and consumers to access enterprise networks and the Internet "anytime, anywhere." We also provide wireless data modems which can be integrated into other devices for a wide range of vertical applications. We also offer provisioning, activation and systems integration services to our customers to facilitate use of our products.

We have a strong history of designing innovative wireless access products. We designed and delivered the first products to enable wireless connectivity for the Palm family of handheld computing devices. We have successfully developed and are continuing to develop solutions that enable our customers to wirelessly access data utilizing a wide range of mobile computing devices across a broad range of wireless data network technologies. Our current product portfolio includes the following:

- The Minstrel line of Wireless Modem cradles, for the Palm family of handheld computing devices and the Casio E-15 Windows Pocket PC handheld device;

- The Merlin Type II PC Card, for portable and desktop personal computers (PCs);

- The Sage Wireless Modem, for portable and desktop PCs;

- The NRM-6812 and Expedite Wireless OEM Modem, for custom integration with computers and other devices; and

- The Lancer 3W Wireless Modem, for vehicle-mounted applications.

Our core modem technology is easily customized to address a broad range of vertical applications. Our customers include wireless telecommunications operators such as Verizon Wireless, AT&T Wireless, and wireless data content and service providers such as OmniSky Corporation, GoAmerica Communications Corp. and CreSenda Wireless. We also have original equipment manufacturer (OEM) customers such as @Road, Harvest/Coca Cola and KeyCorp and we have entered into strategic technology and development relationships within the wireless communications industry with Hewlett-Packard Company, Metricom, Inc., OmniSky, Symbol Technologies, Inc. and VoiceStream Wireless Corp.

The convergence of mobile computing, wireless communications and the Internet and enterprise networks is driving the rapidly expanding demand for wireless data access. The explosion of the Internet and enterprise networks has accelerated the development of applications for communications, information access, content and commerce. As professionals and consumers have become increasingly dependent on the growing functionality, productivity and convenience offered by these applications, they are demanding wireless connectivity for their mobile computing devices. We believe that demand for an ever increasing range of wireless data applications will continue to grow as wireless data network coverage, bandwidth and security improve to allow higher quality service.

To meet this rapidly growing demand, we provide the following advantages to our customers:

Breadth of Wireless Access Products. Our products enable both handheld computing devices and portable PCs to wirelessly access the Internet and enterprise networks. We also provide wireless modems to enable wireless connectivity to a broad range of devices for vertical applications.

Price Performance Leadership. We have designed our products to provide high levels of performance and functionality with attractive pricing to drive widespread adoption among users.

Convenience. Our products provide users with wireless connectivity to the Internet and enterprise networks with a focus on ease-of-use and real-time access to e-mail, online content and critical personal and professional information. We have designed our products to reduce their size and weight without compromising performance.

Productivity. Our products enhance productivity by enabling handheld devices and portable PCs to be in constant connection with the Internet and enterprise networks. Our products for handheld devices also enable wireless synchronization so users can backup and access personal and professional data from remote locations.

Customized Solutions. Our technology platform enables us to provide wireless data solutions for a wide range of specialized applications and to adapt our products to specific customer needs. We enable our OEM customers to provide their clients with tailored solutions for vertical market applications such as securities trading, field services and sales, public safety transportation, retail and point of sale terminals, telemetry and vending system monitoring.

Our objective is to be the leading global provider of wireless data access products. The key elements of our strategy include:

- Extending our technology leadership to capitalize on the evolution and expansion of global wireless data access technologies;

- Driving widespread adoption of our products by increasing our sales and marketing activities, continuing to price our products strategically and to improve their ease-of-use;

- Expanding and developing strategic relationships to improve the design and functionality of our wireless access products and rapidly gain market share;

- Continuing to target key vertical markets by offering products that increase productivity, reduce costs and create operational efficiencies; and

- Developing value-added applications to expand the capabilities of our products.

CORPORATE INFORMATION

We were incorporated in Delaware on April 26, 1996 when we acquired certain intellectual property rights relating to wireless communications. Our principal executive offices are located at 9360 Towne Centre Drive, Suite 110, San Diego, California 92121. Our telephone number at that location is (858) 320-8800. References in the prospectus to "we," "our," "us" and the "Company" refer to Novatel Wireless, Inc. together with our consolidated subsidiaries. Our Web site is www.novatelwireless.com. This reference to our website is not an active hyperlink, nor is the information contained in our Web site incorporated by reference into this prospectus and it does not constitute part of this prospectus.

Our trademarks and service marks include Contact(R), Expedite(TM), Lancer 3W(TM), Merlin(TM), Minstrel(R), Minstrel IIIc(TM), Minstrel III(TM), Minstrel V(TM), Minstrel Plus(TM), Minstrel S(TM), MissionONE(TM), Sage(R), Viking(TM), Expedite(TM) with the accompanying design, and the Novatel Wireless logo. Novatel Wireless, our logo and other trademarks and service marks mentioned in this prospectus are the property of Novatel Wireless, Inc. or its subsidiaries. All other brand names, trademarks, or service marks of other companies and products appearing in this prospectus are the property of their respective holders.

THE OFFERING

Common stock offered by us.....	shares of our common stock
Common stock to be outstanding after the offering.....	shares of our common stock
Use of proceeds.....	For working capital and general corporate purposes, including increased research and development and sales and marketing expenditures. See "Use of Proceeds."
Nasdaq National Market symbol.....	NVTL

The number of shares of our common stock to be issued and outstanding immediately after this offering is based on the number of shares issued and outstanding as of July 25, 2000. It also reflects the automatic conversion into shares of our common stock upon completion of this offering of (i) Series A, B and C preferred stock outstanding as of June 30, 2000 into 8,022,415 shares of our common stock and (ii) all shares of our Series D preferred stock which we issued and sold to investors on June 30, 2000 and on July 14, 2000 into 1,964,050 shares of our common stock, and (iii) all shares of preferred stock of our subsidiary Novatel Wireless Technologies, Ltd. an Alberta, Canada corporation (NWT) (discussed below). In addition to the shares of common stock to be outstanding after this offering, there are:

- 2,900,731 shares of common stock that could be issued upon the exercise of options outstanding as of July 25, 2000 at a weighted average exercise price of $9.09 per share;

- 3,539,305 shares of common stock that could be issued upon the exercise of warrants outstanding as of July 25, 2000;

- 1,099,269 shares of common stock that could be issued in the future under our stock option plans as of July 25, 2000;

- 500,000 shares of common stock that could be issued in the future under our 2000 employee stock purchase plan.

Prior to this offering, the authorized capital stock of our subsidiary, NWT, consisted of an unlimited number of Series A preferred shares, an unlimited number of Series B preferred shares and an unlimited number of common shares. Upon consummation of this offering, all the NWT Series A preferred shares and all the NWT Series B preferred shares will be exchanged for an equal number of shares of our Series A preferred stock and our Series B preferred stock, respectively, and thereafter will be immediately converted into an aggregate of 1,465,412 shares of our common stock. In this prospectus, we refer to this exchange and subsequent conversion as the "NWT Exchange."

Except as otherwise specified in this prospectus, all information in this prospectus assumes:

- the occurrence of the NWT Exchange prior to this offering;

- the automatic conversion of all the outstanding shares of our preferred stock into shares of our common stock immediately prior to the completion of this offering;

- the filing of our amended and restated certificate of incorporation with the Delaware Secretary of State;

- the effectiveness of our 2000 stock incentive plan and our 2000 employee stock purchase plan; and

- no exercise of the underwriters' over-allotment option.

SUMMARY FINANCIAL DATA

You should read the following selected financial data in conjunction with our consolidated financial statements and the related notes and with "Management's Discussion and Analysis of Financial Condition and Results of Operations," which are included elsewhere in this prospectus. The consolidated statements of operations data for the years ended December 31, 1997, 1998 and 1999, and the balance sheet data at December 31, 1998 and 1999, are derived from our consolidated financial statements which have been audited by Arthur Andersen LLP and which are included elsewhere in this prospectus. The consolidated statement of operations data for the period from inception to December 31, 1996 is derived from audited consolidated financial statements not included in this prospectus. The balance sheet data at March 31, 2000 and consolidated statements of operations data for the quarters ended March 31, 1999 and 2000 are derived from unaudited consolidated financial statements which are included elsewhere in this prospectus. See notes 4 and 14 of the notes to the consolidated financial statements for an explanation of the number of shares used to compute net loss per share and pro forma net loss per share. The historical financial information may not be indicative of our future performance, and results of interim periods may not be indicative of results that may be expected for any other interim period or for the year as a whole.

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)	PERIOD FROM APRIL 26, 1996 (INCEPTION) TO DECEMBER 31, 1996	FISCAL YEAR ENDED DECEMBER 31, 1997	1998	1999	QUARTER ENDED MARCH 31, 1999 (UNAUDITED)	2000 (UNAUDITED)
CONSOLIDATED STATEMENT OF OPERATIONS DATA:						
Revenue	$ 277	$ 3,354	$ 5,378	$ 9,556	$ 1,273	$ 6,837
Cost of revenue	168	1,136	3,433	11,955	1,076	7,865
Gross margin	109	2,218	1,945	(2,399)	197	(1,028)
Operating expenses:						
Research and development	2,650	2,715	2,333	3,717	457	2,076
Sales and marketing	256	2,058	2,685	4,480	391	2,319
General and administrative	656	1,944	2,611	4,663	878	1,066
Net loss	(3,462)	(4,476)	(5,506)	(18,469)	(1,513)	(6,268)
Net loss per common share:						
Basic and diluted	$ (1.11)	$ (1.54)	$ (2.06)	$ (6.13)	$ (0.58)	$ (2.21)
Weighted average shares outstanding	3,237,210	3,237,210	3,237,210	3,242,807	3,237,210	3,339,998
Pro forma net loss per share (unaudited)(1):						
Basic and diluted				$ (2.19)	$ (0.21)	$ (0.57)
Weighted average shares outstanding				9,066,423	9,050,760	12,827,825

	MARCH 31, 2000	
	ACTUAL	AS ADJUSTED(2)
CONSOLIDATED BALANCE SHEET DATA:		
Cash and cash equivalents	$ 14,065	
Working capital	8,395	
Total assets	31,673	
Total long-term liabilities	89	
Stockholders' equity	(38,341)	

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(1) See notes 4 and 14 of the notes to the consolidated financial statements for an explanation of the determination of the number of shares and share equivalents used in computing pro forma per share amounts.

(2) "As adjusted" reflects the application of the net proceeds from the sale of shares of common stock offered by us at an assumed initial public offering price of $ per share, after deducting the underwriting discounts and commissions and the estimated offering expenses. See "Use of Proceeds" and "Capitalization."

RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below and the other information contained in this prospectus before you decide whether to invest in our common stock. If any of the following risks actually occurs, our business, financial condition, results of operations and liquidity could be materially adversely affected. This may cause the trading price of our common stock to decline after this offering, and you could lose part or all of the money you paid to purchase our common stock.

RISKS RELATED TO OUR BUSINESS

WE HAVE INCURRED SIGNIFICANT OPERATING LOSSES SINCE OUR INCEPTION AND WE EXPECT TO CONTINUE TO INCUR SIGNIFICANT NET LOSSES AND NEGATIVE CASH FLOWS FOR THE FORESEEABLE FUTURE.

We have experienced operating losses and net losses in each quarterly and annual period since our inception, and we expect to continue to incur significant losses for the foreseeable future. We incurred net losses of $3.5 million for the eight months ended December 31, 1996, $4.5 million for the year ended December 31, 1997, $5.5 million for the year ended December 31, 1998 and $18.5 million for the year ended December 31, 1999. In addition, we had negative cash flows from operations of $3.5 million for the year ended December 31, 1997, $5.0 million for the year ended December 31, 1998 and $5.2 million for the year ended December 31, 1999. As of March 31, 2000, we had an accumulated deficit of $42.5 million. We expect our operating expenses and negative cash flows will increase substantially as we continue to attempt to expand our business. We also expect to significantly increase our product development, sales and marketing, research and development, manufacturing, and general and administrative expenses in future periods. We have entered into and expect to continue to enter into significant customer contracts for the development and supply of our products. These contracts may place significant demands on our resources. If we are unable to increase our revenue sufficiently to offset these expected increases in our expenses, we will not achieve profitability and our operating losses, net losses and negative cash flows will increase.

BECAUSE WE HAVE BEEN OPERATING ONLY SINCE 1996, OUR HISTORIC OPERATING RESULTS MAY NOT BE MEANINGFUL TO AN INVESTOR EVALUATING OUR COMPANY.

We launched our first wireless modem in 1996. Because we have a limited operating history for you to evaluate when considering an investment in our company, it may be difficult for you to evaluate our current business and prospects. You must consider the risks, expenses and uncertainties that an early stage company like ours faces, particularly in the new and rapidly evolving wireless communications market. These considerations include our ability to continue to expand our customer base, maintain our current strategic-relationships and develop new ones, deliver products associated with our key contracts in a profitable and timely manner, attract and retain qualified personnel and manage our growth. Because we have only recently commenced commercial sales of our products, our past results and rates of growth may not be meaningful, and you should not rely on them as an indication of our future performance.

IF WE DO NOT CORRECTLY ANTICIPATE DEMAND FOR OUR PRODUCTS, WE MAY NOT BE ABLE TO ARRANGE COST-EFFECTIVE PRODUCTION OF OUR PRODUCTS OR WE COULD HAVE COSTLY EXCESS INVENTORIES OR PRODUCTION.

Historically, we have experienced steady increases in demand for our products and generally have been able to arrange for increased production to meet that demand. However, the demand for our products depends on many factors and is difficult to predict. We expect that it will become more difficult to predict demand for specific products as we introduce and support multiple wireless communications products and as competition in the market for our products intensifies. Significant unanticipated fluctuations in demand could cause the following problems in our operations:

- If demand increases beyond what we anticipate, we would have to rapidly arrange for increased production at our third-party manufacturers. Our manufacturers depend on suppliers to provide

additional volumes of components. If these suppliers cannot provide the additional volumes of components, our manufacturers may not be able to increase production rapidly enough to meet the unexpected demand. Even if our manufacturers are able to procure enough components, they may not be able to produce enough of our products to allow us to deliver them in a timely manner to our customers. The inability of our suppliers to provide material components or of our manufacturers to increase production rapidly enough or to sufficient levels could cause us to fail to meet customer demand.

- Rapid increases in production levels to meet unanticipated demand could result in higher costs for manufacturing and supply of components and other expenses. These higher costs could lower our profit margins. Further, if production is increased rapidly, manufacturing yields could decline, which may also lower our profit margins.

- If anticipated demand does not develop, we could have excess inventories of finished products and components, which would reduce our cash flow and could lead to write-offs of some or all of the excess inventories. Lower than anticipated demand could also result in manufacturing activity at our third-party manufacturers below the minimum manufacturing activity level for which we are financially committed, which could result in higher costs of goods sold and lower profit margins.

IF WE CANNOT DELIVER PRODUCTS ASSOCIATED WITH OUR SIGNIFICANT CONTRACTS IN A PROFITABLE AND TIMELY MANNER, OUR REPUTATION COULD BE HARMED AND OUR REVENUE AND PROFIT MARGINS MAY DECREASE.

Our ability to generate future revenue under many of our significant supply contracts depends upon our ability to manufacture and supply products that meet defined specifications. To realize the benefits of these agreements, we will have to manage the following risks successfully:

- We have priced these contracts on our estimate of future production costs. If we incur higher costs than anticipated, our gross margins on these contracts will decrease and these contracts may not be as profitable as they otherwise may have been.

- If we are unable to commit the necessary resources or are unable to deliver our products as required by the terms of these contracts, our customers may cancel the contracts. In that event, we might not recover any costs that we incurred for research and development, sales and marketing, production and otherwise and we may incur additional costs as contractual penalties.

- If we fail to meet a delivery deadline, or a customer determines that the products we delivered do not meet the agreed-upon specifications, we may have to reduce the price we can charge for our products, or we may be liable to pay damages to the customer.

If we are unable to successfully manage these risks or meet required deadlines in connection with one or more of our key contracts, our reputation could be harmed and our business, financial condition, results of operations and liquidity could be materially adversely affected.

IF THE MARKET FOR WIRELESS ACCESS TO THE INTERNET DOES NOT CONTINUE TO GROW, OUR REVENUE WILL LIKELY DECLINE.

The market for wireless access to the Internet has experienced significant growth in recent years. However, we cannot assure you that the market for our existing products will continue to grow, that potential customers within the industry will adopt our products for integration with their wireless data communications solutions, or that we will be successful in independently establishing markets for our products. If the wireless data communications market fails to grow, or grows more slowly than we currently anticipate, or if we are unable to establish markets for our new products, our business, financial condition, results of operations and liquidity could be materially adversely affected.

THE MARKETABILITY OF OUR PRODUCTS MAY SUFFER IF WIRELESS TELECOMMUNICATIONS OPERATORS DO NOT DELIVER ACCEPTABLE WIRELESS SERVICES.

The success of our business depends on the capacity, affordability and reliability of wireless data access provided by various wireless telecommunications operators. Currently, various wireless telecommunications operators such as Verizon Wireless and AT&T Wireless, either directly or jointly with us, sell our products in connection with the sale of their wireless data access services to their customers. Growth in demand for wireless data access may be limited if wireless telecommunications operators fail to offer services which customers consider valuable, fail to maintain sufficient capacity to meet demand for wireless data access, delay the expansion of their wireless networks and services, fail to offer and maintain reliable wireless network services or fail to market their services effectively. If any of these occurs, or if for any other reason the demand for wireless data access fails to grow, sales of our products will decline and our business, financial condition and results of operations could be materially adversely affected.

In addition, our future growth depends on the successful deployment of next generation wireless data networks by third parties, including those networks for which we currently are developing products. If these next generation networks are not deployed or widely accepted, or if deployment is delayed, there will be no market for the products we are developing to operate on these networks. As a result, we will not be able to recover our research and development expenses and our financial condition and results of operations and liquidity could be materially adversely affected.

OUR SUCCESS DEPENDS ON OUR ABILITY TO MANAGE ADDITIONAL GROWTH SUCCESSFULLY.

Our ability to successfully offer our products and implement our business plan in a rapidly evolving market requires an effective planning and management process. We have continued to increase the scope of our operations domestically and have grown our shipments and headcount substantially. At June 30, 2000, we had a total of approximately 219 employees, representing an increase from 36 employees since March 31, 1997. In addition, we expect to continue to hire a significant number of employees during the remainder of 2000. Our growth has resulted, and any future growth will result, in increased responsibilities for our management and increased demands on our resources. To be successful, we will need to:

- implement additional management information systems;

- improve our operating, administrative, financial and accounting systems, procedures and controls;

- maintain and expand our manufacturing capacity;

- continue to train, motivate, manage and retain our existing employees and attract and integrate new employees; and

- maintain close coordination among our executive, engineering, professional services, accounting, finance, marketing, sales and operations organizations.

We may not adequately anticipate all the demands that growth may impose on our systems, procedures and structure. If we fail to anticipate and respond adequately to these demands or if we are otherwise unable to manage our growth effectively, we may not be able to compete effectively and our business, financial condition, results of operations and liquidity could be materially adversely affected.

WE CURRENTLY RELY EXCLUSIVELY ON A THIRD-PARTY MANUFACTURER TO PRODUCE OUR PRODUCTS, AND OUR ABILITY TO CONTROL ITS OPERATIONS IS LIMITED.

We currently outsource all our manufacturing to Sanmina Corporation. In April 2000, we entered into a manufacturing agreement with GVC Corporation. Because we only recently entered into this agreement, GVC has not yet begun production on our products and we have not had any significant working experience with GVC. We expect GVC to begin manufacturing some of our products at its facilities in Taiwan in the near future. We expect to continue to depend exclusively on third-party manufacturers to produce our products in a timely fashion and at satisfactory quality levels. Neither of these third-party manufactures is obligated to supply products to us for any specific quantity, except as may be provided in

particular purchase orders which we submit to them from time to time. If our third-party manufacturers experience delays, disruptions, capacity constraints or quality control problems in their manufacturing operations, then product shipments to our customers could be delayed, which would negatively impact our revenues and our competitive position and reputation. The cost, quality and availability of third-party manufacturing operations are essential to the successful production and sale of our products. Our reliance on our third-party manufacturers exposes us to a number of risks which are outside our control:

- unexpected increases in manufacturing costs;
- interruptions in shipments if our third-party manufacturers are unable to complete production timely;
- inability to control quality of finished products;
- inability to control delivery schedules;
- inability to control production levels and to meet minimum volume commitments to our customers;
- inability to control manufacturing yield;
- inability to maintain adequate manufacturing capacity; and
- inability to secure adequate volumes of components.

If we are unable to manage successfully our relationships with these third-party manufacturers, the quality and availability of our products may be harmed. If Sanmina stopped manufacturing our products or reduced its manufacturing capacity, we may be unable to replace the lost manufacturing capacity on a timely basis. In addition, if Sanmina changed the terms under which it manufactures for us, our manufacturing costs could significantly increase. We generally place orders with Sanmina at least three months prior to scheduled delivery of products to our customers. Accordingly, if we inaccurately anticipate demand for our products, we may be unable to obtain adequate quantities of components to meet our customers' delivery requirements or we may accumulate excess inventories. If one or more of these events were to occur, our business, financial condition and results of operations could be materially adversely affected by increased costs, reduced revenue and lower profit margins.

IF WE FAIL TO ADOPT NEW TECHNOLOGY AND FAIL TO DEVELOP AND INTRODUCE NEW PRODUCTS SUCCESSFULLY, WE MAY NOT BE ABLE TO COMPETE EFFECTIVELY.

We operate in a highly competitive environment, characterized by rapidly changing technology and industry standards. New products based on emerging technologies or evolving industry standards may quickly render an existing product obsolete and unmarketable. Our growth and future operating results depend in part upon our ability to enhance existing products and introduce newly developed products that conform to prevailing and evolving industry standards, meet or exceed technological advances in the marketplace, meet changing customer requirements, achieve market acceptance and respond to our competitors' products.

The development of new products can be very difficult and requires technological innovation. The development process is also lengthy and costly. In addition, wireless communications service providers require that wireless data systems deployed on their networks comply with their own standards, which may differ from the standards of other providers. If we fail to anticipate our customers' needs and technological trends accurately or are otherwise unable to complete the development of products on time and within budgeted amounts, we will be unable to introduce new products into the market on a timely basis, if at all. If we are unsuccessful at developing and introducing new products that are appealing to consumers, we may be unable to recover our significant research and development costs and our business, financial condition and results of operations could be materially adversely affected. In addition, as we introduce new versions of our products or new products, our current customers may not require the technological innovations of our new products and may not purchase them.

To grow our revenue and achieve profitability, we must retain our current customers and develop new ones. If consumers view our competitors' products as superior to ours, or if our products are unable to meet their expectations or requirements, we may be unable to retain our existing customers or to develop new customers which would materially and adversely effect our business, financial condition and results of operations.

THE FLUCTUATION OF OUR QUARTERLY OPERATING RESULTS MAY CAUSE OUR STOCK PRICE TO DECLINE.

Our future quarterly operating results may fluctuate significantly and may not meet the expectations of securities analysts or investors. If this occurs, the market price of our stock would likely decline. The following factors may cause fluctuations in our operating results:

- INCREASES IN OPERATING EXPENSES. We expect that our operating expenses, particularly our sales and marketing, and our research and development costs, will increase. We budget our operating expenses based on anticipated sales, and a significant portion of our sales and marketing, research and development and general and administrative costs are fixed, at least in the short term. If revenue decreases and we are unable to reduce our operating costs quickly and sufficiently, our operating results could be materially adversely affected. We have entered into and expect to continue to enter into significant customer contracts for the development and supply of our products. We expect to incur significant research and development, sales and marketing and other costs relating to the development, manufacture and sale of these products prior to receiving revenue from these contracts.

- PRODUCT MIX. The product mix of our sales affects profit margins in any given quarter. As our business evolves and the revenue from the product mix of our sales varies from quarter to quarter, our operating results will likely fluctuate.

- NEW PRODUCT INTRODUCTIONS. As we introduce new products, the timing of these introductions will affect our quarterly operating results. We may have difficulty predicting the timing of new product introductions and the market acceptance of these new products. If products and services are introduced earlier or later than anticipated, or if market acceptance is unexpectedly high or low, our quarterly operating results may fluctuate unexpectedly. Our quarterly operating results also fluctuate because we incur substantial upfront research and development, sales and marketing, production and other costs to support new product introductions prior to the periods in which we will recognize revenue from new products.

- USE OF SUPPLY CONTRACTS WITH CUSTOMERS. We rely on long-term supply contracts with our distributor customers. These contracts typically have minimum purchase volumes, and also typically include a non-binding, forward-looking rolling forecast and allow the customer to make certain volume changes within specified periods of time in advance of scheduled production dates. We use these forecasts for internal planning of material procurement and required manufacturing capacity, but cannot predict with certainty incoming orders or changes in forecasts. Our operating results may fluctuate as a result of deviations from forecasted amounts, the timing of substantial orders, decreases in orders, failure to fulfill orders, possible delays or shortages in component supplies, or possible delays in the manufacture or shipment of current or new products.

- LENGTHY SALES CYCLE. In addition, the length of time between the date of initial contact with a potential customer and the execution of a contract may take several months, and is subject to delays over which we have little or no control. The sale of our products is subject to delays from our customers' budgeting, approval and competitive evaluation processes that typically accompany significant information technology purchasing decisions. For example, customers frequently begin by evaluating our products on a limited basis and devote time and resources to testing our products before they decide whether or not to purchase a product. We commit substantial time and resources to educate potential customers on the use and benefits of our products. Customers may also defer orders as a result of anticipated releases of newer or enhanced products by us or our competitors. As a result, our ability to anticipate the timing and volume of sales to specific

customers is limited, and the delay or failure to complete one or more large transactions could cause our operating results to vary significantly from quarter to quarter.

We believe that quarter-to-quarter comparisons of our operating results will not necessarily be meaningful in predicting our future performance. If we do not achieve our expected revenue, it is possible that our operating results will fall below the expectations of market analysts or investors in some future quarter or quarters. Our failure to meet these expectations would likely adversely affect the trading price of our common stock.

WE DEPEND UPON A SMALL NUMBER OF OUR CUSTOMERS FOR A SUBSTANTIAL PORTION OF OUR REVENUE.

A significant portion of our revenue comes from a small number of customers. Our top ten customers for the year ended December 31, 1999 and the quarter ended March 31, 2000 accounted for approximately 83.7% and 87.6% of our revenue, respectively. @Road, OmniSky and AirLink Communications, Inc. accounted for 23.1%, 14.3% and 9.2% of our revenue, respectively, for the year ended December 31, 1999. OmniSky, @Road, and Pivot International accounted for 24.2%, 23.6% and 13.0% of our revenue, respectively, for the quarter ended March 31, 2000. We expect that a small number of customers will continue to account for a substantial portion of our revenue for the foreseeable future. If there is a downturn in the business of any of these customers, if we are unable to continue to retain their business, or if we are unable to diversify our customer base, our revenue may decline.

WE DEPEND ON SOLE SOURCE SUPPLIERS FOR SOME OF OUR COMPONENTS, AND OUR PRODUCT AVAILABILITY AND SALES WOULD BE HARMED IF THESE SUPPLIERS ARE NOT ABLE TO MEET OUR DEMAND AND ALTERNATIVE SOURCES ARE NOT AVAILABLE.

Our products contain a variety of components that are procured from a variety of suppliers. These components include both tooled parts and industry-standard parts, many of which are similar to parts used in cellular telephone handsets. The cost, quality and availability of components are essential to the successful production and sale of our products. Some of these components come from sole or single source suppliers for which alternative sources may not be available. If suppliers are unable to meet our demand for sole source components and if we are unable to obtain an alternative source or if the price for a substitute is prohibitive, our ability to maintain timely and cost-effective production of our products would be seriously harmed. Currently, some components and certain integrated circuits are in short supply world-wide due to the explosive growth in demand for cellular-telephone handsets. If the shortage of such components or any other key component persists or worsens, we may not be able to deliver sufficient quantities of our products to satisfy demand.

IF WE FAIL TO DEVELOP AND MAINTAIN STRATEGIC ALLIANCES, WE MAY NOT BE ABLE TO PENETRATE NEW MARKETS.

A key element of our business strategy is to penetrate new markets by developing new products through strategic alliances with leading companies. We are currently investing, and plan to continue to invest, significant resources to develop these relationships. We believe that our success in penetrating new markets for our products will depend in part on our ability to maintain these relationships and to cultivate additional or alternative relationships. We cannot assure you that we will be able to develop additional strategic alliances, that existing relationships will continue or be successful in achieving their purposes or that strategic partners will not form competing arrangements.

ANY SIGNIFICANT REDUCTION IN DEMAND FOR HANDHELD COMPUTING DEVICES OR FOR OUR PRODUCTS DESIGNED FOR THOSE DEVICES MAY HARM OUR BUSINESS.

A significant amount of our revenue is generated by our products for handheld computing devices and portable PCs. Although the demand for handheld computing devices and portable PCs has historically increased at a steady rate, we cannot assure you that the demand for those devices will continue to grow in the future. In addition, certain recent models of handheld computing devices and portable PCs include internal wireless modems installed by the manufacturer which reduce the need for consumers to purchase

our wireless modem products. If demand for handheld computing devices and portable PCs declines or as more consumers purchase handheld computing devices and PCs with internal wireless modems, the demand for our products would materially decrease and our revenue would decline.

WE MAY NOT BE ABLE TO MAINTAIN AND EXPAND OUR BUSINESS IF WE ARE NOT ABLE TO INTEGRATE OUR MANAGEMENT TEAM AND RETAIN, HIRE, INTEGRATE AND MANAGE ADDITIONAL QUALIFIED PERSONNEL.

Many members of our senior management have joined our company within the last nine months. In particular, John Major, our chief executive officer, joined us in July 2000. Melvin Flowers, our chief financial officer, and Steven Schlief, our vice president of operations, joined us February 2000 and July 2000, respectively. As a result, our current management team has worked together for only a relatively short time and is in the process of integrating as a management team. Our ability to execute our strategies will depend upon our ability to integrate these and future managers into our operations, and there can be no assurance that we will be able to achieve the rapid execution necessary to fully exploit the market opportunity for our products.

Our success in the future depends in part on the continued contribution of our executive, technical, engineering, sales, marketing, manufacturing and administrative personnel. Recruiting and retaining skilled personnel, including software and hardware engineers, is highly competitive, especially in the San Diego area. Cash compensation is likely to increase for employees with these skills whom we hire after our initial public offering because prospective employees may perceive that the stock option component of our compensation package is not as valuable as it was prior to the offering. In addition, most of our senior management and other key personnel are not bound by employment agreements. If we are not able to attract or retain qualified personnel in the future, or if we experience delays in hiring required personnel, particularly qualified engineers, we will not be able to maintain and expand our business.

Over the past year, we have rapidly expanded our direct sales force and expect to hire additional sales personnel commensurate with our sales objectives. We may experience difficulty in integrating the new members of our sales team into our operations. We have limited experience in managing a large, expanding, geographically dispersed sales force. We cannot be certain that we will be able to effectively manage the growing sales force in the future or that newly-hired employees will achieve levels of productivity necessary to sustain our sales and revenue growth.

ANY ACQUISITIONS WE MAKE COULD DISRUPT OUR BUSINESS AND HARM OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

As part of our business strategy, we intend to review on an ongoing basis acquisition opportunities that we believe would be advantageous to the development of our business. While we have no current agreements or current discussions with respect to any acquisitions, we may acquire businesses, products, or technologies in the future. If we make any acquisitions, we could take any or all of the following actions, any one of which could adversely affect our business, financial condition, results of operations and the price of our common stock:

- issue equity securities that would dilute existing stockholders' percentage ownership;
- use a substantial portion of our available cash, including proceeds from this offering;
- incur substantial debt, which may not be available to us on favorable terms and may adversely affect our liquidity;
- assume contingent liabilities; and
- take substantial charges in connection with the amortization of goodwill and other intangible assets.

Acquisitions also entail numerous risks, including: difficulties in assimilating acquired operations, products and personnel; unanticipated costs; diversion of management's attention from other business concerns; adverse effects on existing business relationships with suppliers and customers; risks of entering markets in which we have limited or no prior experience; and potential loss of key employees from either

our preexisting business or the acquired organization. We may not be able to successfully integrate any businesses, products, technologies or personnel that we might acquire in the future, and our failure to do so could harm our business and operating results.

OUR FUTURE RESULTS COULD BE HARMED BY RISKS ASSOCIATED WITH INTERNATIONAL SALES AND OPERATIONS.

We plan to expand our international sales and marketing activities in the future. We have limited experience in marketing, selling, distributing and manufacturing our products and services internationally. For the year ended December 31, 1999, only approximately 12% of our revenue was derived from international accounts. As we expand international sales, we expect to become subject to a number of risks which may increase our costs, lengthen our sales cycle and require significant management attention. These risks associated with doing business internationally generally include:

- changes in foreign currency exchange rates;
- changes in a specific country's or region's political or economic conditions, particularly in emerging markets, and changes in diplomatic and trade relationships;
- less effective protection of intellectual property;
- trade protection measures and import or export licensing requirements;
- potentially negative consequences from changes in tax laws;
- increased expenses associated with customizing products for foreign countries;
- unexpected changes in regulatory requirements resulting in unanticipated costs and delays;
- longer collection cycles and difficulties in collecting accounts receivable; and
- difficulty in managing widespread sales and research and development operations.

Our sales and invoices are currently denominated in U.S. dollars. In the future, however, we may record sales and invoice customers in the applicable local foreign currency. If that occurs, we may be exposed to international currency fluctuations.

THE WIRELESS COMMUNICATIONS MARKET IS HIGHLY COMPETITIVE AND WE MAY BE UNABLE TO COMPETE EFFECTIVELY.

We compete in the wireless communications markets. The markets for wireless data access products are highly competitive and we expect competition to increase. Many of our competitors or potential competitors have significantly greater financial, technical and marketing resources than we do. These competitors may be able to respond more rapidly than we can to new or emerging technologies or changes in customer requirements. They also may devote greater resources than we do to the development, promotion and sale of their products.

Many of our competitors have more extensive customer bases and broader customer relationships and industry alliances that they could leverage to establish relationships with many of our current and potential customers. These companies also have significantly more established customer support and professional services organizations. In addition, these companies may adopt aggressive pricing policies or offer more attractive terms to customers, may bundle their competitive products with broader product offerings and may introduce new products and enhancements. Current and potential competitors may establish cooperative relationships among themselves or with third parties to enhance their products. As a result, it is possible that new competitors or alliances among competitors may emerge and rapidly acquire significant market share.

Our wireless communications products compete with a variety of devices, including wireless modems, traditional wired modems, wireless handsets, wireless handheld computing devices and other wireless devices. Our current and potential competitors include:

- Wireless modem manufacturers, such as Sierra Wireless, Uniden, NextCell and Tellus;

- Traditional wired modem manufacturers, such as 3Com and Xircom;

- Wireless device manufacturers, such as Handspring, Palm and Research in Motion;

- Wireless handset manufacturers and next generation wireless technology providers, such as Ericsson, Motorola and Nokia; and

- Non-CDPD private communications network providers, such as Emotiant, Bell South and Metricom.

We expect our competitors to continue to improve the performance of their current products and to introduce new products, services and technologies. Successful new product introductions or enhancements by our competitors could reduce our sales and the market acceptance of our products, cause intense price competition and make our products obsolete. To be competitive, we must continue to invest significant resources in research and development, sales and marketing, and customer support. We cannot be sure that we will have sufficient resources to make these investments or that we will be able to make the technological advances necessary to remain competitive. Increased competition could result in price reductions, fewer customer orders, reduced margins and loss of our market share. Our failure to compete successfully could seriously harm our business, financial condition and results of operations.

OUR PRODUCTS MAY CONTAIN ERRORS OR DEFECTS WHICH COULD DECREASE THEIR MARKET ACCEPTANCE.

Our products are technologically complex and must meet stringent user requirements. We must develop our software and hardware products quickly to keep pace with the rapidly changing and technologically advanced wireless communications market. Products as sophisticated as ours may contain undetected errors or defects, especially when first introduced or when new models or versions are released. Our products may not be free from errors or defects after commercial shipments have begun, which could result in the rejection of our products, damage to our reputation, lost revenues, diverted development resources, and increased customer service and support costs and warranty claims.

WE COULD INCUR SUBSTANTIAL COSTS DEFENDING OUR INTELLECTUAL PROPERTY FROM INFRINGEMENT OR A CLAIM OF INFRINGEMENT.

Our success depends in large part on our proprietary technology. We rely on a combination of patents, copyrights, trademarks and trade secrets, confidentiality provisions and licensing arrangements to establish and protect our proprietary rights. We may be required to spend significant resources to monitor and police our intellectual property rights. Before we do so, we may not be able to detect infringement and we may lose competitive position in the market. Intellectual property rights also may be unavailable or limited in some foreign countries, which could make it easier for competitors to capture market share. The unauthorized use of our technology by competitors could have a material adverse effect on our ability to sell our products in some markets.

Although we are not currently involved in any intellectual property litigation, we may be a party to litigation in the future either to protect our intellectual property or as a result of an alleged infringement of others' intellectual property. These claims and any resulting litigation could subject us to significant liability for damages and could cause our proprietary rights to be invalidated. Litigation, regardless of the merits of the claim or outcome, would likely be time-consuming and expensive to resolve and would divert management time and attention. Any potential intellectual property litigation could also force us to do one or more of the following:

- stop using the challenged intellectual property and refrain from selling our products or services that incorporate it;

- obtain a license to use the challenged intellectual property or to sell products or services that incorporate it, which license may not be available on reasonable terms, or at all; and

- redesign those products or services that are based on or incorporate the challenged intellectual property.

If we are forced to take any of the foregoing actions, we may be unable to manufacture and sell our products, and our business, financial condition and results of operations may be materially adversely affected.

WE MAY NOT BE ABLE TO DEVELOP PRODUCTS THAT COMPLY WITH APPLICABLE GOVERNMENT REGULATIONS.

Our products must comply with government regulations. For example, in the United States, the Federal Communications Commission (FCC) regulates many aspects of communications devices, including radiation of electromagnetic energy, biological safety and rules for devices to be connected to the telephone networks. Modems must be approved under the above regulations by the FCC prior to being offered for sale. Additionally, we cannot anticipate the effect that changes in government regulations may have on our ability to develop products in the future. Failure to comply with existing or evolving government regulations or to obtain timely regulatory approvals or certificates could materially adversely affect our business, financial condition and results of operations.

RISKS RELATED TO THIS OFFERING

OUR STOCK PRICE COULD BE ADVERSELY AFFECTED BY SHARES BECOMING AVAILABLE FOR SALE UNDER RULE 144 AND AS A RESULT OF REGISTRATION RIGHTS AGREEMENTS WE HAVE ENTERED INTO WITH SOME OF OUR INVESTORS.

Our current stockholders hold a substantial number of shares, which they will be able to sell in the public market in the near future. Sales of a substantial number of shares of our common stock under Rule 144, or the perception that these sales could occur, could cause our common stock price to fall and could impair our ability to raise capital through the sale of additional equity securities. In addition, we have entered into registration rights agreements with some investors that entitle these investors to have their shares registered for sale in the public market. The exercise of these rights could affect the market price of our common stock. See "Shares Eligible for Future Sale" for further information concerning potential sales of our shares after this offering, including information concerning Rule 144 and the registration rights we have granted.

OUR STOCK PRICE MAY BE VOLATILE, AND WE CANNOT ASSURE YOU THAT OUR STOCK PRICE WILL NOT DECLINE.

The market price of our common stock could be subject to significant fluctuations after this offering as a result of factors many of which are beyond our control. Among the factors that could affect our stock price are:

- quarterly variations in our operating results;

- changes in revenue or earnings estimates or publication of research reports by analysts;

- speculation in the press or investment community about our business or the wireless communications industry generally;

- changes in market valuations of similar companies and stock market price and volume fluctuations generally;

- strategic actions by us or our competitors such as acquisitions or restructurings;

- regulatory developments;

- additions or departures of key personnel;

- general market conditions; and

- domestic and international economic factors unrelated to our performance.

The stock markets in general, and the markets for high technology stocks in particular, have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock. We cannot assure you that you will be able to resell your shares at or above the initial public offering price, which will be determined by negotiations between the representatives of the underwriters and us.

ANTI-TAKEOVER PROVISIONS IN OUR CHARTER DOCUMENTS AND UNDER DELAWARE LAW COULD PREVENT OR DELAY A CHANGE IN CONTROL IN OUR COMPANY.

Our certificate of incorporation and bylaws contain anti-takeover provisions that could prevent or delay an acquisition of our business at a premium price. These provisions:

- provide for a staggered board;
- prevent stockholders from taking action by written consent;
- limit the persons who may call special meetings of stockholders;
- authorize our board of directors to approve the issuance of undesignated preferred stock without stockholder approval; and
- provide for automatic acceleration of option vesting upon the occurrence of certain events.

In addition, Delaware law imposes some restrictions on mergers and other business combinations between us and any holder of 15% or more of our common stock.

YOU WILL EXPERIENCE IMMEDIATE AND SUBSTANTIAL DILUTION IN THE NET TANGIBLE BOOK VALUE OF YOUR SHARES.

The initial public offering price per share of our common stock is substantially higher than the average net tangible book value per share of common stock. As a result, if you purchase shares of common stock in this offering your interest will suffer immediate and substantial dilution. This dilution will reduce the net tangible book value of your shares since any shares of our common stock that you purchase in this offering will be at a substantially higher per share price than the current average net tangible book value per share of our common stock. The dilution will be $ per share in the net tangible book value of the common stock from the initial public offering price. If additional shares are sold by the underwriters following exercise of their over-allotment option, or if outstanding options or warrants to purchase shares of common stock are exercised, any shares of our common stock that you may purchase in this offering will be subject to further dilution. As a result of this dilution, in the event of a liquidation, common stockholders purchasing stock in this offering may receive significantly less than the full purchase price that they paid for the shares they purchased in this offering.

OUR DIRECTORS, EXECUTIVE OFFICERS AND EXISTING STOCKHOLDERS AND THEIR AFFILIATES WILL CONTINUE TO HAVE SUBSTANTIAL CONTROL OVER US AFTER THIS OFFERING, AND THEIR INTERESTS MAY DIFFER FROM AND CONFLICT WITH YOURS.

Upon completion of this offering, our executive officers, directors and principal stockholders will beneficially own, in total, % of our outstanding common stock. As a result, these stockholders, whose interests may be different from and may conflict with yours, will be able to influence matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. This could have the effect of delaying or preventing a change of control of our company or otherwise cause us to take action that may not be in the best interests of all stockholders, either of which in turn could reduce the market price per share of our common stock.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

You should not rely on forward-looking statements in this prospectus. This prospectus contains forward-looking statements that relate to future events or to our future business or performance. In some cases, you can identify forward-looking statements by words such as "anticipates, " "believes," plans," "expects," "future," "intends," "may," "will," "should," "estimates," "predicts," "potential," "continue" and similar expressions. Our actual results could differ materially from the results contemplated by these forward-looking statements due to a number of factors, including those discussed in "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this prospectus. This prospectus also contains forward-looking statements attributed to third parties relating to their estimates regarding the growth of our markets. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause our actual results, as well as those of the markets we serve, levels of activity, performance, achievements and prospects to be materially different from those expressed or implied by the forward-looking statements. These risks, uncertainties and other factors include, among others, those identified in "Risk Factors" and elsewhere in this prospectus. Except as required by law, we undertake no obligation to update publicly any forward-looking statement for any reason, even if new information becomes available or other events occur.

USE OF PROCEEDS

We estimate that the net proceeds to us from our sale in this offering of shares of common stock at an assumed initial public offering price of $ per share, after deducting estimated underwriting discounts and commissions and estimated offering expenses, will be $. If the underwriters' exercise in full their over-allotment option, we estimate that our net proceeds will be $.

We currently intend to use the net proceeds of this offering for working capital and general corporate purposes, including increased research and development and sales and marketing expenditures. We may also use a portion of the net proceeds of this offering to acquire or invest in complementary businesses or technologies, or complementary services or products, although we have no current agreements or negotiations with respect to any such transactions.

As of the date of this prospectus, we have not allocated any specific amount of the net proceeds for the purposes listed above. Management will maintain broad discretion in the allocation of the net proceeds of this offering. You will not have the opportunity to evaluate the economic, financial or other information on which we base our decisions on how to use the proceeds. Pending our use of the net proceeds of this offering, we intend to invest the net proceeds from the offering in interest-bearing, investment grade securities.

DIVIDEND POLICY

We have never declared or paid cash dividends on our capital stock. We currently intend to retain all available funds and any future earnings for use in the operation of our business and do not anticipate declaring or paying any cash dividends in the foreseeable future. The declaration and payment of dividends, if any, will be at the discretion of our board of directors, after taking into account various factors our board of directors deems relevant, including our financial condition, operating results, current and anticipated cash needs, expansion plans and debt covenants. Our revolving line of credit with Venture Banking Group, a division of Cupertino National Bank, currently prohibits us from paying dividends without its prior approval.

CAPITALIZATION

The following table sets forth our consolidated total capitalization as of March 31, 2000. You should read this table in conjunction with "Selected Consolidated Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the notes to our financial statements appearing elsewhere in this prospectus. This information is presented:

- on an actual basis at March 31, 2000;
- on a pro forma basis at March 31, 2000 after giving effect to the automatic conversion of all the outstanding shares of our preferred stock and minority interest shares outstanding at March 31, 2000 and after giving effect to our receipt of the net proceeds of $33,560,000 from the sale in June and July 2000 of a total of 1,964,050 shares of our Series D preferred stock; and
- on a pro forma as adjusted basis to give effect to the receipt of the net proceeds from the sale by us of shares of common stock in this offering at an assumed price of $ per share and after deducting underwriting discounts and commissions and offering expenses payable by us.

	MARCH 31, 2000 (UNAUDITED)		
(IN THOUSANDS)	ACTUAL	PRO FORMA	PRO FORMA AS ADJUSTED
Cash and cash equivalents	$ 14,065	$ 14,065	
Capital lease obligations, current portion	$ 74	$ 74	
Capital lease obligations, net of current portion	89	89	
Total indebtedness	163	163	
Convertible and redeemable minority interest	4,457		
Convertible and redeemable preferred stock	44,833		
Stockholders' equity (deficit):			
Common stock	3	15	
Additional paid in capital	5,131	87,969	
Deferred stock compensation	(986)	(986)	
Accumulated deficit	(42,489)	(42,489)	
Total stockholders' equity (deficit)	(38,341)	44,509	
Total capitalization	$(11,112)	$ 44,672	

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The common stock outstanding as shown above is based on shares outstanding as of March 31, 2000, and excludes:

- 2,900,731 shares of common stock that could be issued upon the exercise of options outstanding as of July 25, 2000;
- 3,539,305 shares of common stock that could be issued upon the exercise of warrants outstanding as of July 25, 2000;
- 1,099,269 shares of common stock that could be issued in the future under our stock option plans as of July 25, 2000;
- 500,000 shares of common stock that could be issued in the future under our 2000 employee stock purchase plan.

DILUTION

If you invest in our common stock, your interest will be diluted to the extent of the difference between the public offering price per share of our common stock and the pro forma as adjusted net tangible book value per share of our common stock after this offering. The pro forma net tangible book value of our common stock as of June 30, 2000 was approximately $ million or $ per share of common stock. Pro forma net tangible book value per share represents the dollar amount of our total tangible assets reduced by the dollar amount of our total liabilities and divided by the total number of shares of our common stock outstanding at June 30, 2000, after giving effect to the sale of shares of our Series D preferred stock on June 30, 2000 and July 14, 2000.

After giving effect to the receipt of the estimated net proceeds from this offering, based upon an assumed initial public offering price of $ per share, and after deducting underwriting discounts and commissions and estimated offering expenses and the adjustments, the pro forma net tangible book value of our common stock as of June 30, 2000 would have been $ or $ per share. This represents an immediate increase in net tangible book value of $ per share to existing stockholders and an immediate dilution of $ per share to new investors purchasing shares at the initial public offering price. The following table illustrates this per share dilution:

Estimated initial public offering price per share.....		$
Pro forma net tangible book value per share as of March 31, 2000.....	$	
Increase per share attributable to new investors.....		
Pro forma as adjusted net tangible book value after the offering.....		
As adjusted dilution per share to new investors.....		$

Assuming the exercise in full of the underwriters' over-allotment option, our pro forma as adjusted net tangible book value at June 30, 2000 would have been approximately $ per share, representing an immediate increase in net tangible book value of $ per share to our existing stockholders and an immediate and substantial dilution in net tangible book value of $ per share to new investors.

The following table summarizes, at June 30, 2000, on a pro forma basis, the total number of shares purchased from us, and consideration paid to us and the average price per share paid by existing holders of common stock and by new investors purchasing shares of common stock in this offering at an assumed initial public offering price of $ per share, before deducting the estimated underwriting discounts and commissions and offering expenses:

	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE
	NUMBER	PERCENT	AMOUNT	PERCENT	PER SHARE
Existing stockholders.....		%	$	%	$
New investors.....					
Total.....		%		%	

The foregoing discussion and table assume no exercise of the underwriters' overallotment option and exclude the effect of:

- 2,900,731 shares of common stock that could be issued upon the exercise of options outstanding as of July 25, 2000;
- 3,539,305 shares of common stock that could be issued upon exercise of warrants outstanding as of July 25, 2000;
- 1,099,269 shares of common stock that could be issued in the future under our stock option plans as of July 25, 2000; and
- 500,000 shares of common stock that could be issued in the future under our 2000 employee stock purchase plan.

To the extent that any of our these options or warrants are exercised or shares are issued, there will be further dilution to new public investors. See "Capitalization," "Management -- Stock Plans," "Description of Securities Stock," and notes 8 and 9 of notes to consolidated financial statements contained elsewhere in this prospectus.

SELECTED FINANCIAL DATA

You should read the following selected financial data in conjunction with our consolidated financial statements and notes to our consolidated financial statements and with "Management's Discussion and Analysis of Financial Condition and Results of Operations," which are included elsewhere in this prospectus. The consolidated statement of operations data for each of the years ended December 31, 1997, 1998 and 1999, and the balance sheet data at December 31, 1998 and 1999 are derived from our consolidated financial statements which have been audited by Arthur Andersen LLP and which are included elsewhere in this prospectus. The consolidated statement of operations data for the period from inception to December 31, 1996 and the balance sheet data at December 31, 1996 and 1997 are derived from audited consolidated financial statements not included in this prospectus. The consolidated balance sheet data at March 31, 1999 is derived from unaudited consolidated financial statements not included in this prospectus. The consolidated balance sheet data at March 31, 2000 is derived from unaudited consolidated financial statements included elsewhere in this prospectus. See notes 4 and 14 of the notes to consolidated financial statements for an explanation of the number of shares used to compute net loss per share and pro forma net loss per share. The historical financial information may not be indicative of our future performance and results of interim periods may not be indicative of results that may be expected for any other interim period or for the year as a whole.

	PERIOD FROM APRIL 26, 1996 (INCEPTION) TO DECEMBER 31, 1996	YEAR ENDED DECEMBER 31,			QUARTER ENDED MARCH 31,	
		1997	1998	1999	1999	2000
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)					(UNAUDITED)	
CONSOLIDATED STATEMENT OF OPERATIONS DATA:						
Revenue	$ 277	$ 3,354	$ 5,378	$ 9,556	$ 1,273	$ 6,837
Cost of revenue	168	1,136	3,433	11,955	1,076	7,865
Gross margin	109	2,218	1,945	(2,399)	197	(1,028)
Operating expenses:						
Research and development	2,650	2,715	2,333	3,717	457	2,076
Sales and marketing	256	2,058	2,685	4,480	391	2,319
General and administrative	656	1,944	2,611	4,663	878	1,066
Total operating expenses	3,562	6,717	7,629	12,860	1,726	5,461
Loss from operations	(3,453)	(4,499)	(5,684)	(15,259)	(1,529)	(6,489)
Other income (expense) net	(9)	23	178	(3,210)	16	221
Net loss	$ (3,462)	$ (4,476)	$ (5,506)	$ (18,469)	$ (1,513)	$ (6,268)
Net loss per common share:						
Basic and diluted	$ (1.11)	$ (1.54)	$ (2.06)	$ (6.13)	$ (0.58)	$ (2.21)
Weighted average shares outstanding	3,237,210	3,237,210	3,237,210	3,242,807	3,237,210	3,339,998
Pro forma net loss per share (unaudited)(1):						
Basic and diluted				$ (2.19)	$ (0.21)	$ (0.57)
Weighted average shares outstanding				9,066,423	9,050,760	12,827,825

(IN THOUSANDS)	DECEMBER 31, 1996	1997	1998	1999	MARCH 31, 2000 (UNAUDITED)
CONSOLIDATED BALANCE SHEET DATA:					
Cash and cash equivalents	$ 1,262	$ 1,927	$ 3,497	$ 25,455	$ 14,065
Working capital	274	937	3,383	15,769	8,395
Total assets	3,065	3,879	6,184	38,118	31,673
Long-term obligations, net of current portion	--	--	--	106	89
Convertible and redeemable preferred stock	4,316	9,769	14,812	43,805	44,833
Common stock	3	3	3	3	3
Accumulated deficit	(3,462)	(7,937)	(15,249)	(35,122)	(42,489)
Stockholders' equity (deficit)	(752)	(1,100)	(14,625)	(31,128)	(38,341)

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(1) See notes 4 and 14 of the notes to the consolidated financial statements for an explanation of the determination of the number of shares and share equivalents used in computing pro forma per share amounts.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our consolidated financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this prospectus. This prospectus contains certain statements of a forward-looking nature relating to future events or our future financial performance. We caution prospective investors that such statements involve risks and uncertainties, and that actual events or results may differ materially. In evaluating such statements, prospective investors should specifically consider the various factors identified in this prospectus, including the matters set forth under the caption "Risk Factors" contained elsewhere in this prospectus which could cause actual results to differ materially from those indicated by such forward-looking statements.

OVERVIEW

We are a leading provider of wireless data access solutions. Since our inception in April 1996, we have been focused on the development and commercialization of two-way wireless data communications technologies. We launched our NRM-6812 OEM module in September 1996, our Sage and first Minstrel products in 1997, our Minstrel II Wireless Modem and Expedite Wireless Modem in April 1999 and our Merlin Type II Wireless Modem in August 1999. In addition, we announced our Minstrel V Wireless Modem for the Palm V handheld computing device in October 1999 and our Lancer 3W Modem in April 2000.

Since our inception, we have incurred substantial costs to develop our technology and products, to recruit and train personnel for our product development, sales and marketing and professional services departments, and to establish our administrative infrastructure. Historically, our operating expenses have exceeded the revenue generated by our products and services. As a result, we have incurred net operating losses in each quarter since inception and had an accumulated deficit of $42.5 million as of March 31, 2000. In addition, we have increased our number of employees and independent contractors from 56 as of December 31, 1998 to 219 as of June 30, 2000.

We have entered into, and expect to continue to enter into, significant customer contracts for the development and supply of our products. These contracts may place significant demands on our resources. As a result, we expect research and development, sales and marketing and other costs relating to the development, manufacture and sale of our products to increase. We also expect to continue to incur these expenses in periods prior to recognizing revenue from these contracts.

Revenue. Our revenue has been generated from the sale of wireless modems to wireless telecommunications operators, wireless data content and service providers, resellers and OEM customers. We also generate revenue from the systems activation and integration services we provide prior to shipping; through March 31, 2000, such revenue has not been significant. Revenue from product sales and services is recognized upon the later of transfer of title or upon shipment of the product to the customer and rendering services. We establish reserves for estimated product returns and allowances in the period in which revenue is recognized.

Cost of Revenue. Our cost of revenue typically consists of material components, labor for system assembly and testing, product activations, technical support, warranty costs and overhead expenses. We currently outsource our manufacturing operations to third parties to minimize our capital expenditures and to benefit from contract manufacturer economies of scale.

Gross Margin. Our overall gross margin, or revenue less cost of revenue, may fluctuate from quarter to quarter as a result of the availability and costs of components, shifts in product mix, the proportion of direct and indirect sales, anticipated decreases in average selling prices and our ability to manage manufacturing costs.

Research and Development. Our research and development expenses consist of employee compensation, related personnel expenses, consultant fees and prototype expenses related to the design, development,

testing and enhancement of our products. Our research and development costs are expensed as incurred. We believe that continued investment in research and development is critical to achieving our strategic product development and cost reduction objectives and, as a result, expect these expenses to continue to increase significantly in absolute dollars in the future.

Sales and Marketing. Our sales and marketing expenses consist of employee compensation, sales commissions and related expenses for personnel engaged in marketing, sales and field service support and advertising and promotional materials. We anticipate that sales and marketing expenses will increase in future quarters as we increase sales and marketing operations, expand distribution channels, increase the number of sales and marketing personnel and increase our international sales efforts.

General and Administrative. Our general and administrative expenses consist of employee compensation and related personnel expenses, recruiting and relocation expenses, professional and consulting fees, and other general corporate expenses. We expect these expenses to increase as we increase the number of personnel and incur additional costs related to our operation as a public company.

Stock-Based Compensation Expense. We recorded deferred compensation expense of $1.4 million as a result of stock options granted below fair value for accounting purposes through March 31, 2000. This amount represents the difference between the exercise price of these stock option grants and the estimated fair value of the underlying common stock at the time of grant. Of this amount, we have amortized approximately $444,000 through March 31, 2000. The remaining $986,000 will be amortized over the remaining vesting period of the options, which is generally four years.

RESULTS OF OPERATIONS

The following table sets forth our consolidated statements of operations expressed as a percentage of revenue for the periods indicated. Data for the period from inception through December 31, 1996 is not presented because revenue for that period was not material.

	YEAR ENDED DECEMBER 31,			QUARTER ENDED MARCH 31,	
	1997	1998	1999	1999	2000
	(AS A PERCENT OF REVENUE)				
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of revenue	33.9	63.8	125.1	84.5	115.0
Gross margin	66.1	36.2	(25.1)	15.5	(15.0)
Operating expenses:					
Research and development	80.9	43.4	38.9	35.9	30.4
Sales and marketing	61.4	49.9	46.9	30.7	33.9
General and administrative	58.0	48.5	48.8	69.0	15.6
Total operating expenses	200.3	141.8	134.6	135.6	79.9
Loss from operations	(134.2)	(105.6)	(159.7)	(120.1)	(94.9)
Interest income	0.7	3.3	0.5	1.3	3.1
Interest expense	--	--	(34.2)	--	(0.2)
Other, net	--	--	0.1	--	0.3
Net loss	(133.5)%	(102.3)%	(193.3)%	(118.8)%	(91.7)%

QUARTER ENDED MARCH 31, 2000 COMPARED TO QUARTER ENDED MARCH 31, 1999

Revenue. Revenue for the quarter ended March 31, 2000 increased $5.5 million, or 437%, to $6.8 million compared to $1.3 million for the same period in 1999. In 2000, sales of existing products increased due to the overall increase in demand for wireless products. New products contributed to the overall sales increases with the introduction of the Expedite Wireless Modem in April 1999, the Merlin Type II Wireless Modem in August 1999 and the Minstrel V Wireless Modem in October 1999.

Cost of Revenue. Our cost of revenue for the quarter ended March 31, 2000 increased $6.8 million, or 631%, to $7.9 million compared to $1.1 million in the same period in 1999. The increase in cost of revenue was primarily the result of increased units sold, start-up costs associated with the production of new products, increases in the cost of raw materials and costs associated with changing manufacturers and moving production during the latter half of 1999.

Gross Margin. Our gross margin for the quarter ended March 31, 2000 decreased by $1.2 million, or 622%, to negative $1.0 million compared to $200,000 in the same period in 1999. This decrease was primarily the result of the manufacturing changes and cost increases described above.

Research and Development. Our research and development expenses for the quarter ended March 31, 2000 increased $1.6 million, or 354%, to $2.1 million compared to $500,000 in the same period in 1999. The increase was primarily due to an increase in the number of personnel and to an increase in the number of projects in development.

Sales and Marketing. Sales and marketing expenses for the quarter ended March 31, 2000 increased $1.9 million, or 493%, to $2.3 million compared to $400,000 in the same period in 1999. The increase was the result of increased headcount, expanded advertising, increased participation in trade shows and increased expenditures to support new products and expand distribution channels.

General and Administrative. General and administrative expenses for the quarter ended March 31, 2000 increased $200,000, or 21.4%, to $1.1 million compared to $900,000 in the same period in 1999. Included in general and administrative expenses is $109,000 of non-cash stock-based compensation expense (the difference between the exercise price of options granted and the estimated fair value of the common stock underlying those options on the date of grant) in 2000 compared to $69,000 in 1999.

Interest Income. Interest income for the quarter ended March 31, 2000 increased $198,000 to $215,000 compared to $17,000 in 1999. The increase was due to income on the proceeds from the Series C financing which closed on December 31, 1999.

Net Loss. The net loss for the quarter ended March 31, 2000 increased $4.8 million, or 314%, to $6.3 million compared to $1.5 million in 1999.

YEAR ENDED DECEMBER 31, 1999 COMPARED TO THE YEAR ENDED DECEMBER 31, 1998

Revenue. Revenue for 1999 increased $4.2 million, or 78%, to $9.6 million compared to $5.4 million in 1998. In 1999, sales of existing products increased due to the overall increase in demand for wireless products. New products also contributed to the overall sales with the introduction of the Expedite Wireless Modem in April 1999 and the Merlin Type II Wireless Modem in August 1999.

Cost of Revenue. Our cost of revenue for 1999 increased $8.5 million, or 248%, to $12.0 million compared to $3.4 million in 1998. The increase in cost of revenue was primarily the result of increased units sold, start-up costs associated with the production of new products and costs associated with changing manufacturers and moving production during the year. Prior to 1999, we used offshore contract manufacturers. In the first quarter of 1999, our principal manufacturer experienced financial difficulties as a result of the general downturn in the Asian economies and, as a result, ceased production of our finished goods. To maintain production levels in the short-term, we and our new manufacturer were forced to purchase raw materials for immediate delivery at premium prices. We also incurred substantial start-up costs associated with commencing production at our new manufacturer's facility.

Gross Margin. Gross margin for 1999 decreased by $4.3 million, or 223%, to negative $2.4 million compared to $1.9 million in 1998. This decrease was primarily the result of the manufacturing changes and cost increases described above.

Research and Development. Research and development expenses for 1999 increased $1.4 million, or 59%, to $3.7 million compared to $2.3 million in 1998. The increase was primarily due to an increase in the number of personnel and to an increase in the number of projects in development.

Sales and Marketing. Sales and marketing expenses for 1999 increased $1.8 million, or 67%, to $4.5 million compared to $2.7 million in 1998. The increase was the result of increased headcount, expanded advertising, increased participation in trade shows and expenditures to support new products and to expand our distribution channels.

General and Administrative. General and administrative expenses for 1999 increased $2.1 million, or 79%, to $4.7 million compared to $2.6 million in 1998. This increase was due to an increase in the number of personnel from 1998 to 1999 and our relocation of the administrative functions from Calgary to San Diego. We recorded $220,000 in non-cash compensation expense (the difference between the exercise price of options granted and the estimated fair value of the common stock underlying those options on the date of grant) in 1999 compared to $115,000 in 1998.

Interest Expense. Interest expense amounted to $3.3 million for 1999 due to the non-cash charges we incurred in connection with the convertible subordinated debentures that we issued and sold in 1999 and the related common stock warrants issued in connection with these debentures. We did not incur any interest expense during 1998.

Interest Income. Interest income for 1999 decreased $131,000, or 74%, to $47,000 compared to $178,000 in 1998. The decrease was due to lower average cash invested in 1999 compared to 1998.

Net Loss. The net loss for the year ending December 31, 1999 increased $13.0 million, or 235%, to $18.5 million compared to $5.5 million in 1998.

YEAR ENDED DECEMBER 31, 1998 COMPARED TO THE YEAR ENDED DECEMBER 31, 1997

Revenue. Revenue for 1998 increased $2.0 million, or 60%, to $5.4 million compared to $3.4 million in 1997. This increase reflects the introduction of the original Minstrel, Sage and Contact products in late 1997. Shipments of these new products accounted for $1.5 million of the increase in our 1998 revenue. Our existing products accounted for the remaining increase.

Cost of Revenue. Our cost of revenue for 1998 increased $2.3 million, or 202%, to $3.4 million compared to $1.1 million in 1997. The increase in cost of revenue was the result of the costs of increased units sold and the start-up costs associated with the production of new products.

Gross Margin. Gross margin for 1998 decreased by $300,000, or 12%, to $1.9 million compared to $2.2 million in 1997. This decrease was primarily the result of the factors described above.

Research and Development. Research and development expenses for 1998 decreased $400,000, or 14%, to $2.3 million compared to $2.7 million in 1997. Fiscal year 1997 included approximately $500,000 for research and development costs to further projects we commenced in 1996.

Sales and Marketing. Sales and marketing expenses for 1998 increased $600,000, or 30%, to $2.7 million compared to $2.1 million in 1997. The increase was the result of increased headcount, expanded advertising and increased participation in trade shows. During 1998, we also increased marketing expenditures to support new products and expand our distribution channels.

General and Administrative. General and administrative expenses for 1998 increased $700,000, or 34%, to $2.6 million compared to $1.9 million in 1997. This increase was primarily due to additions to our senior management team and administrative personnel. In addition, we recorded $115,000 in non-cash compensation expense in 1998 compared to none in 1997.

Interest Income. Interest income for 1998 increased $155,000 to $178,000 compared to $23,000 in 1997. This increase was due to additional interest income earned on our increased average cash and short-term investment balances.

Net Loss. The net loss for the year ending December 31, 1998 increased $1.0 million or 23% to $5.5 million compared to $4.5 million in 1997.

SELECTED QUARTERLY RESULTS OF OPERATIONS

The following table sets forth our historic unaudited quarterly consolidated statements of operations data for each of the five fiscal quarters ended March 31, 2000, and such information expressed as a percentage of our revenue. This unaudited quarterly information has been prepared on the same basis as the annual audited financial statements appearing elsewhere in this prospectus, and includes all necessary adjustments, consisting only of normal recurring adjustments, that we consider necessary to present fairly the financial information for the quarters presented. The quarterly data should be read in conjunction with the audited consolidated financial statements and the notes thereto appearing elsewhere in this prospectus.

	QUARTER ENDED				
	MARCH 31, 1999	JUNE 30, 1999	SEPT. 30, 1999	DEC. 31, 1999	MARCH 31, 2000
	(IN THOUSANDS)				
CONSOLIDATED STATEMENTS OF OPERATIONS DATA:					
Revenue	$ 1,273	$ 822	$ 3,825	$ 3,636	$ 6,837
Cost of revenue	1,076	1,452	2,594	6,834	7,865
Gross margin	197	(630)	1,231	(3,198)	(1,028)
Operating expenses:					
Research and development	457	578	891	1,792	2,076
Sales and marketing	391	988	1,175	1,925	2,319
General and administrative	878	936	1,957	892	1,066
Total operating expense	1,726	2,502	4,023	4,609	5,461
Loss from operations	(1,529)	(3,132)	(2,792)	(7,807)	(6,489)
Interest income	17	8	8	15	215
Interest expense	--	--	(1,268)	(2,000)	(11)
Other, net	(1)	--	--	12	17
Net loss	$(1,513)	$(3,124)	$(4,052)	$(9,780)	$(6,268)
AS A PERCENTAGE OF REVENUE:					
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of revenue	84.5	177.0	67.8	187.9	115.0
Gross margin	15.5	(77.0)	32.2	(87.9)	(15.0)
Operating expenses:					
Research and development	35.9	70.3	23.3	49.3	30.4
Sales and marketing	30.7	120.3	30.7	52.9	33.9
General and administrative	69.0	113.9	51.2	24.5	15.6
Total operating expense	135.6	304.5	105.2	126.7	79.9
Loss from operations	(120.1)	(381.5)	(73.0)	(214.6)	(94.9)
Interest income	1.3	1.0	0.2	0.4	3.1
Interest expense	--	--	(33.2)	(55.0)	(0.2)
Other, net	--	--	--	0.3	0.3
Net loss	(118.8)%	(380.5)%	(106.0)%	(268.9)%	(91.7)%

We have experienced and expect to continue to experience significant fluctuations in quarterly operating results. We believe that quarter-to-quarter comparisons of our operating results should not be relied upon as an indication of our future performance.

See "Risk Factors -- Because we have been operating only since 1996, our historic operating results may not be meaningful to an investor evaluating our company" and " -- The fluctuation of our quarterly operating results may cause our stock price to decline."

LIQUIDITY AND CAPITAL RESOURCES

Since our inception, we have funded our operations primarily through private sales of our equity securities and the issuance of debt instruments, and to a lesser extent, capital lease arrangements and borrowings under various lines of credit. To date, net proceeds from these transactions have totaled approximately $78 million. At June 30, 2000 we had approximately $32.7 million in cash and cash equivalents.

For the years ended December 31, 1997, 1998 and 1999, we used net cash in operating activities of $3.5 million, $5.0 million and $5.2 million, respectively. Our operating activities included major uses of cash to fund our 1999 net loss of $18.5 million which included a $3.3 million non-cash charge for interest expenses related to the warrants we issued with our convertible subordinated debentures. During 1999, we used cash in operating activities by increasing our due-from-supplier account by $4.7 million, inventories by $4.1 million and accounts receivable by $900,000, and generated cash flows by increasing accounts payable and accrued expenses by approximately $11.0 million and our deferred revenue increased by $8.1 million. Our net cash used in operating activities in the first quarter of 2000 amounted to $10.1 million.

Our net cash used in investing activities in 1999 was $600,000, which was primarily for purchases of property and equipment. Our net cash used in investing activities in 1997 and 1998 was $800,000 and $300,000, respectively, and $1,400,000 during the quarter ending March 31, 2000, and was also primarily for purchases of property and equipment. These capital expenditures were primarily investments for equipment to test our products and to support our business.

Cash provided from financing activities, consisting primarily of net proceeds from the sale of our equity securities, was approximately $4.7 million for the year ending December 31, 1997, $7.2 million for the year ending December 31, 1998, $27.7 million for the year ending December 31, 1999 and $21,000 during the quarter ending March 31, 2000.

We believe that our available cash reserves, which includes proceeds from the sale of our Series D preferred stock completed in June and July 2000, together with the estimated net proceeds of this offering, will be sufficient to fund operations and to meet our working capital needs and anticipated capital expenditures for at least the next twelve months. We do not anticipate significant capital expenditures over the course of the next twelve months. We may also use a portion of the net proceeds to invest in complementary products, to license other technology or to make acquisitions. Thereafter, we may raise additional funds to fund more rapid expansion of our business, fund unexpected expenditures, continue to develop new products and enhancements to our current products, or acquire technologies or businesses. Additional financing may not be available when needed, on favorable terms, or at all.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We do not currently use derivative financial instruments. We generally place our marketable security investments in high credit quality instruments, primarily U.S. Government obligations and corporate obligations with contractual maturities of less than one year. We do not expect any material loss from our marketable security investments and therefore believe that our potential interest rate exposure is not material; however, these investments are subject to interest rate risk. We do not currently enter into foreign currency hedge transactions. Through June 30, 2000, foreign currency fluctuations have not had a material impact on our financial position or results of operations.

RECENT ACCOUNTING PRONOUNCEMENTS

In 1998, the Financial Accounting Standards Board, or FASB, issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" and in June 1999 issued SFAS No. 137, "Accounting for Derivatives and Hedging Activities -- Deferral of the Effective Date of FASB Statement No. 133." Under SFAS No. 133, derivatives not meeting hedge criteria are recorded in the balance sheet as either an asset or liability measured at fair value and changes in fair value are recognized currently in earnings. The

Company will be required to implement SFAS No. 133, as amended by SFAS No. 137, in fiscal 2001. The Company does not anticipate that the adoption of SFAS No. 133 and SFAS No. 137 will have a material impact on its financial position or results of operations.

In December 1999, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition in Financial Statements." SAB No. 101 summarizes the SEC's views in applying generally accepted accounting principles to revenue recognition in financial statements. SAB No. 101 is effective during the fourth quarter of fiscal 2000. Management has reviewed the provisions of SAB No. 101 and does not believe that its adoption thus far has had a material impact on the Company's financial position or results of operations.

YEAR 2000 COMPLIANCE

As a result of the change over from 1999 to 2000, none of our systems or products was affected nor are we aware of any significant issues that have affected our third-party suppliers or customers.

BUSINESS

OVERVIEW

We are a leading provider of wireless data modems and software for use with handheld computing devices and portable personal computers. We also provide wireless data modems which can be integrated into other devices for a wide range of vertical applications. We also offer provisioning, activation and systems integration services to our customers to facilitate use of our products.

We have a strong history of designing innovative wireless access products. We designed and delivered the first products to enable wireless connectivity for the Palm family of handheld computing devices. We have successfully developed and are continuing to develop solutions that enable our customers to wirelessly access data utilizing a wide range of mobile computing devices across a broad range of wireless data network technologies. Our current product portfolio includes the following:

- The Minstrel line of Wireless Modem cradles, for the Palm family of handheld computing devices and the Casio E-15 Windows Pocket PC handheld device;

- The Merlin Type II PC Card for portable and desktop PCs;

- The Sage Wireless Modem for portable and desktop PCs;

- The NRM-6812 and Expedite Wireless OEM Modems for custom integration with computers and other devices; and

- The Lancer 3W Wireless Modem for vehicle-mounted applications.

Our core modem technology is easily customized to address a broad range of vertical applications. Our customers include wireless telecommunications operators such as Verizon Wireless and AT&T Wireless (which services our products, through its distribution partner Global Data Wireless) as well as wireless data content and service providers such as OmniSky, GoAmerica and CreSenda. We also have OEM customers such as @Road, Harvest/Coca Cola and KeyCorp and we have entered into strategic technology and development relationships within the wireless communications industry with Hewlett-Packard, Metricom, OmniSky, Symbol and VoiceStream.

INDUSTRY BACKGROUND

The convergence of mobile computing, wireless communications and the Internet and enterprise networks is driving the rapidly expanding demand for wireless data access. The explosion of the Internet and enterprise networks has accelerated the development of applications for communications, information access, content and commerce. As professionals and consumers increasingly depend on the growing functionality, productivity and convenience that these applications afford, they are demanding "anytime, anywhere" connectivity for their mobile computing devices. International Data Corporation projects that by the end of 2002, the number of worldwide mobile users with two-way communications to the Internet could exceed the number of wired users.

Growth in Mobile Computing

Competition and productivity demands are requiring an increasing number of professionals to maintain remote and mobile access to the Internet, e-mail and enterprise networks. International Data Corporation forecasts that the remote and mobile workforce in the United States, defined as employees spending more than 20% of their time on the job away from the office, will grow from 34 million individuals at the end of 1998 to 47 million at the end of 2003. This trend towards mobile computing has led to the increased use of handheld computing devices and portable PCs both on the road and in the office. International Data Corporation projects that worldwide shipments of handheld companions will grow from approximately 4 million in 1998 to approximately 19 million units in 2003, and that portable PC shipments will grow from approximately 15 million in 1998 to approximately 33 million in 2003.

Growth in Wireless Communications

The adoption of digital wireless voice communications has grown rapidly due to improved service, declining prices, expanding network coverage and the availability of extended service features such as voice and text messaging. Dataquest projects that the number of worldwide digital wireless subscribers will grow from approximately 217 million at the end of 1998 to approximately 828 million by the end of 2003. Recent developments in wireless data technology, increased network coverage and deployment of digital data networks combined with price reductions for data communications have enabled the adoption of wireless data applications such as e-mail, financial services, news and lifestyle content.

There are currently several standards-based technologies for the transmission and reception of wireless data. Existing digital wireless communications technologies such as Time Division Multiple Access (TDMA), Code Division Multiple Access (CDMA) and Global System for Mobile Communications (GSM), collectively known as second generation, or 2G, wireless technologies, offer low speed transmission rates. The transmission rates afforded by these circuit-switched technologies are adequate for limited content applications such as short messaging, financial services, news and other text-based applications. Cellular Digital Packet Data (CDPD) technology is a packet-switched standard that is deployed over traditional analog networks and provides a continuous network connection at slightly higher transmission speeds.

A new set of technologies, often referred to as 2.5G, is under development to provide high-speed packet-based data services over GSM, CDMA and TDMA networks. These 2.5G technologies are expected to support a broader set of data applications, such as streaming media and web browsing. Packet-based technology affords its users several advantages over circuit-switched systems, including continuous connectivity and higher bandwidth performance, leading to significant cost savings for data transmission. As a result, the 2.5G standards are expected to generate even wider use of wireless data access devices. Third generation, or 3G, systems are being developed for longer-term deployment eventually to replace 2G and 2.5G digital wireless systems. 3G networks will provide for broadband transmission rates enabling enhanced multimedia applications.

Growth in the Internet and Enterprise Networks

The Internet has emerged as a global communications medium enabling millions of people to deliver and share information and conduct business electronically. The development of applications for the digital delivery of products and services such as news, weather, stock quotes and trading, books, music, driving directions and lifestyle information is increasing the everyday use of the Internet. International Data Corporation estimates that the number of worldwide Internet users will grow from approximately 142 million in 1998 to 602 million by the end of 2003. This dramatic growth has led to a proliferation of information and services available on or through the Internet. As access speed and the breadth of applications for the Internet increase, we believe the Internet is quickly becoming a necessary medium for information access, commerce and communication.

Similarly, the proliferation of enterprise networks continues to drive the increasing need for the remote retrieval and use of information. As wireless data communications improve, and as business computing systems are redesigned to integrate and manage wireless enterprise solutions, wireless Internet access applications and services will increasingly play a key role in providing mobile access to corporate information.

Convergence of Mobile Computing, Wireless Communications and the Internet and Enterprise Networks

The increase in demand for "anytime, anywhere" access is driving the convergence of mobile computing, wireless communications and the Internet and enterprise networks, creating new opportunities for wireless data products and services. We have designed our wireless products to capitalize on these opportunities and to afford increased mobile access to enterprise networks and the Internet. We believe that demand for wireless data applications will continue to increase as wireless data network coverage, bandwidth and security improve to allow higher quality service. New wireless technologies that enable high

speed access to the Internet allow service providers to offer end-users greater access to a vast array of services and content. These offerings are expected to increase usage, attract new customers and improve customer loyalty. Dataquest estimates that the number of wireless data subscribers worldwide will grow from approximately 16 million at the end of 1998 to approximately 111 million by the end of 2003.

As this convergence evolves, a large opportunity exists to develop wireless connectivity applications for a wide range of vertical industry segments, such as:

- Securities Trading;
- Enterprise Networking, for access to corporate databases and intranets and the facilitation of virtual office applications;
- Field Services and Sales, to provide Web access, enterprise network access and contact management in the field;
- Public Safety, for police, fire and ambulance related applications such as remote database access, information dissemination, police substation communication and electronic monitoring;
- Transportation, for applications related to trucking and mobile dispatch, vehicle fleet management and location, driver communications, order entry and vehicle location and tracking;
- Retail and Point of Sale Terminals, for applications such as remote credit card verification and automated teller machines; and
- Vending System Monitoring.

Need for Cost-Effective Wireless Data Access for Mobile Computing Devices

We believe that as mobile professionals and consumers increasingly depend on the Internet and other enterprise computing applications, they will demand convenient, cost-effective and user-friendly wireless data solutions for all mobile computing devices. Until now, devices such as smart phones and two-way pagers have been introduced to address this demand. Smart phones are enhanced cellular telephones that are designed for voice applications rather than data applications, and two-way paging devices allow users to access e-mail and other information, but are not currently suited for interactive or large display applications. While these products may adequately address low bandwidth applications, such as messaging, we believe devices that allow greater display and interactive capabilities, such as handheld computing devices and portable PCs, are better suited for wireless data applications.

OUR SOLUTION

We are a leading provider of integrated wireless data access solutions. We provide a suite of wireless data modems and enabling software for use with handheld computing devices and portable PCs and for vertical applications. We provide our customers the following advantages:

Breadth of Wireless Access Products

Our products enable both handheld computing devices and portable PCs to access the Internet and enterprise networks wirelessly. We also provide wireless modems which enable connections to a broad range of appliances for vertical applications. We are developing additional capabilities for emerging wireless networks in order to afford our customers maximum flexibility in choosing their wireless data access solutions.

Price Performance Leadership

We have designed our products to provide high levels of performance and functionality at an attractive price to drive widespread adoption among users. We use software solutions where others still use hardware and we build our products around a core common hardware and software platform. As a result,

we are able to offer products which present a substantially better value proposition than do other wireless data access products with similar functionality.

Convenience

Our products provide users with a wireless connection to the Internet and enterprise networks with a focus on ease-of-use and real-time access to e-mail, online content and critical personal and professional information. We have designed our products to reduce their size and weight without sacrificing performance. For example, our Minstrel modems for handheld computing devices are lightweight and slip easily into a suit pocket or purse. We have also designed our products to enhance range and functionality with low power requirements, so that they can be used for extended periods of time without needing to recharge. Moreover, we offer activation services to service providers prior to shipping so that our products are ready for immediate use upon their delivery.

Productivity

Our products improve productivity by enabling handheld computing devices and portable PCs to be continuously connected to the Internet and enterprise networks. Our products for handheld computing devices also enable wireless synchronization so users can backup and access personal and professional data from remote locations. These features allow mobile professionals to access and manage data and information even while they are away from traditional work settings, thereby significantly increasing their productivity.

Customized Solutions

Our technology platform enables us to provide wireless data solutions for a wide range of specialized applications and to adapt our products to specific customer needs. We enable our OEM customers to provide their clients with tailored solutions for vertical market applications such as securities trading, public safety, transportation and retail and point of sale terminals. Our engineering group assists with the integration of our wireless products to provide comprehensive solutions to our customers.

OUR STRATEGY

Our objective is to be the leading global provider of wireless data access products. The key elements of our strategy are to:

Extend Our Technology Leadership

We intend to continue developing higher speed integrated wireless data access solutions to capitalize on the expansion of global wireless data access technologies. We plan to rapidly develop new modem technologies based on evolving wireless data standards and to offer customers a comprehensive range of wireless access products for mobile computing devices. We also intend to continue to apply our technological expertise to reduce the overall size, weight, cost and power consumption of our products, while increasing their capabilities and performance.

Drive Widespread Adoption of Our Products and Increased Market Penetration

We intend to drive widespread adoption of our products through increased global marketing activities, strategic pricing and expansion of our international and direct sales distribution networks. We believe these efforts will increase our revenue and our brand recognition. Our product pricing is an important part of this strategy and we will continue to adjust our prices to ensure market penetration by offering value to our customers. We also intend to promote and extend our technology integration services which, in simplifying customer use, will help ensure the widespread adoption of our products.

Expand and Develop Strategic Relationships

We plan to build and expand on strategic relationships to improve the design and functionality of our wireless access products and rapidly gain market share. We intend to establish and maintain relationships with a strategic focus on:

- Wireless computing communications companies, such as our existing relationships with Hewlett-Packard, Symbol and VoiceStream, to extend our platform and expand distribution of our products;

- Software applications companies, such as our existing relationships with FusionOne, Inc. AvantGo, Inc., Puma Technologies, Inc. and JP Systems, Inc. to offer a wide array of value-added applications for our customers; and

- Technology companies, such as our existing relationships with Metricom, Inc. and TPP Communications Ltd. to accelerate the time to market and expand the capabilities of our new products.

Continue to Target Key Vertical Markets

We market our products to key vertical industry segments by offering them products that increase productivity, reduce costs and create operational efficiencies. We are currently working with, among others, Harvest in vending system monitoring, KeyCorp in retail/point of sale, @Road in vehicle tracking and Symbol in inventory control. We believe that continuing improvements in wireless computing technologies will create additional vertical markets and more applications for our products.

Focus on Developing Value-added Applications

Developing value-added applications to expand the capabilities of our products will be an important factor in increasing the overall demand for and the use of our products. As competition in our marketplace intensifies, we believe that developing proprietary value-added applications for our products in vertical enterprise markets will give us a competitive advantage and differentiate us from our competitors. To this end, we may pursue acquisition opportunities to extend our product lines and provide additional solutions to our customers.

PRODUCTS

We successfully deliver innovative and comprehensive solutions to our customers. We currently offer a variety of wireless data access solutions to OEMs, VARs, systems integrators, wireless telecommunications operators, enterprise, mobile professionals and consumers. We delivered the first wireless cradle modem for the Palm family of handheld computing devices and currently provide the only commercially available wireless cradle modem for the Palm III and Palm V product families. We also offer a Type II PC Card modem for portable personal computers and Windows Pocket PC mobile computing devices.

The following table describes our principal product lines:

PRODUCT	APPLICATION
WIRELESS CRADLE DEVICES	
- - Minstrel III Wireless Modem	- Palm III handheld device
- - Minstrel E-15 Wireless Modem	- Casio E-15 Palm-Size PC
- - Minstrel V Wireless Modem	- Palm V handheld device
WIRELESS PC CARD AND MODEMS	
- - Merlin Type II Wireless Modem	- Portable and desktop PCs
- - Sage Wireless Modem	- Portable and desktop PCs
OEM PRODUCTS	
- - Expedite Wireless Modem	- point of sale terminals, automated teller machines, vehicle tracking
- - NRM-6812 Wireless Modem	- utility monitoring, vending system monitoring
- - Lancer 3W Wireless Modem	- public safety vehicle mounted applications

Wireless Cradle Devices

Our Minstrel family of wireless data modems adds two-way communications capability to the Palm family of handheld computing devices, private labeled derivatives and the Casio E-15 Windows Pocket PC handheld device. The Minstrel wireless "cradles" maintain the key advantages of these devices: size, ease-of-use, synchronization and customization. Minstrel provides users with complete portable access to enterprise networks, e-mail and the Internet without the limitation of wired connections. The Minstrel/ Palm handheld computing device integrated product is lightweight and slips easily into a suit pocket or purse. Minstrel can also be used with most third-party software developed for the Palm family of handheld computing devices.

The Minstrel III Wireless Modem offers two-way wireless data communications on the Palm III connected organizers. Improvements to prior versions include a smaller and thinner form factor, lighter weight and improved battery life. The Minstrel E-15 Wireless Modem, which is designed exclusively for the Casio E-15 Windows Pocket PC handheld computer, offers two-way wireless data communications. The Minstrel V Wireless Modem, which is designed for the Palm V connected organizer and is currently branded by OmniSky for sales and distribution, also offers two-way wireless data communications.

Wireless PC Cards and Modems

Our Merlin Type II Wireless Modem, which was designed for Windows 95/98/2000/NT/Pocket PC computers, allows mobile professionals and consumers to send and receive e-mail, and to connect wirelessly to their enterprise networks and to the Internet.

Our Sage Wireless Modem is a self-powered, external, wireless modem for desktop PCs. The key strengths of Sage include its low price, extended battery life and versatility. Sage provides its users with wireless access to e-mail, enterprise networks and the Internet. Sage is also well suited for fixed installations, particularly in situations where telephone lines are unavailable or inconvenient.

OEM Products and Devices

The Expedite Wireless Modem offers 0.6-watt full-duplex wireless CDPD modem capabilities with minimal power requirements and a form factor almost four times smaller than its predecessor. The Expedite's 3.6 volt power supply has an extended battery life and is compatible with more integrated products. The Expedite is currently used in numerous applications, including wireless telemetry monitoring, inventory monitoring, point-of-sale terminals, automated teller machines and automated vehicle location and tracking. The Expedite is also priced below comparable products offered by our competitors, making it extremely attractive to OEMs, VARs and systems integrators that require wireless CDPD solutions. The

Expedite's small form factor, standards-based interfaces and adherence to specifications, together with its simple design, make it easy for OEM customers to incorporate a wireless CDPD solution into their existing or new product lines.

The forerunner of the Expedite, the NRM-6812 Wireless Modem, remains an industry leader in terms of size, performance and cost. The NRM-6812 has a wider temperature range and differing voltage levels than the Expedite, making it preferable for certain types of wireless applications such as oil and gas telemetry and vehicle tracking.

The Lancer 3W is a wireless CDPD modem with extreme temperature tolerance capabilities, high vibration tolerance and a ruggedized form factor which, with input power voltage capabilities from 9 to 30 volts, is ideally suited for a variety of applications ranging from public safety vehicle mounted applications to field service and wireless telemetry monitoring. In addition, the Lancer 3W has power saving capabilities offered by the "sleep mode," which maintains network connection at low battery levels and reduces battery drainage. The Lancer 3W is equipped with modem manager software and remote diagnostics which allow users to monitor and control the modem remotely.

CURRENT WIRELESS TECHNOLOGY

Wireless data communications are currently transmitted over various public and private networks utilizing either circuit-switched data or packet-switched data, such as Cellular Digital Packet Data (CDPD), ARDIS and Mobitex. The following table outlines these technologies.

TECHNOLOGY STANDARD	DATA TRANSMISSION ATTRIBUTES	NOMINAL DATA RATES
Analog Circuit-Switched Data	Analog Circuit	9.6 Kbps
Cellular Digital Packet Data	Digital Packet	19.2 Kbps
ARDIS	Digital Packet	19.2 Kbps
Metricom	Digital Packet	28.8 Kbps
Mobitex	Digital Packet	9.6 Kbps

In a circuit-switched system the user is temporarily connected to the network and pays for the total connection time. Although circuit-switched systems cover a very broad geographical area, the newer packet networks have significant performance, technical and economic advantages over circuit-switched systems. CDPD uses a packet system which sends and receives content consisting of individually addressed segments or "packets." The user is continually connected to the network and pays either a flat monthly service fee or a fee based on the amount of data transferred.

We believe that one of our competitive advantages is our broad base of core technologies. Currently, we offer products based on the CDPD standard. We have developed and continue to build on the following key current technology areas:

CDPD. CDPD is one of the most widely adopted wide-area wireless packet data system in North and South America. CDPD technology enhances the efficiency of a cellular channel, but is transparent within it, allowing the voice system's capability and quality to remain unaffected. CDPD technology improves the efficiency of existing cellular channel infrastructure as it detects idle moments when cellular channels are unused, packages data in small packets and sends it in short bursts. As a result, CDPD is an extremely cost-effective solution for cellular carriers to offer data services. CDPD provides for access at speeds up to 19.2 Kbps.

Metricom. Metricom designs, provisions and operates digital networks and services for mobile users. Metricom's Ricochet network, which is based upon modified CDPD network technology, works by broadcasting signals back and forth from transceivers mounted on utility poles to small radio modems connected to subscribers' computers. Ricochet is generally available at speeds up to 28.8 Kbps in the greater San Francisco Bay Area, Seattle, Washington DC, selected areas of New York City and selected

airports and college campuses. Metricom is currently under construction in 21 major service areas to bring its higher speed Ricochet II 128 Kbps network to market, and ultimately expects to deploy a network in 46 markets covering 100 million in population.

EMERGING STANDARDS

Current wireless data technologies work well with text-based applications such as messaging and securities trading. Next generation wireless data technologies are expected to allow for higher interaction levels, making multi-media applications, such as Web browsing, appeal to a broader group of wireless data users. 2.5G and 3G technologies based on GSM, TDMA, CDMA and W-CDMA standards, will offer much higher bandwidth performance than existing technology. These emerging standards, summarized in the following table, will enable service providers to offer a broader range of wireless data services relative to those currently available.

TECHNOLOGY STANDARD	DEVELOPMENT STAGE FOR DATA TRANSMISSION	DATA TRANSMISSION ATTRIBUTES	CURRENT/EXPECTED DATA RATES	2.5G/3G STANDARDS
GSM	Circuit-Switched and short messaging offered, standard published for packet data	Digital Packet, Circuit-Switched	14.4 Kbps/ 384 Kbps	GPRS/ EDGE
TDMA	Circuit-Switched and short messaging offered	Digital Packet, Circuit-Switched	9.6 Kbps/ 384 Kbps	IS136 GPRS/ EDGE
CDMA	Circuit-Switched and short messaging offered, standard published for packet data	Digital Packet, Internet Protocol, Circuit-Switched	14.4 Kbps/ 384 Kbps 1-2 Mbps	1XRTT/ 3XRTT
W-CDMA	Standard published for digital packet voice, data and multimedia	Digital Packet	115 Kbps/ 2 Mbps	3Gpp

In addition to the products we offer based on current technology standards, we are in the process of developing second and third generation versions of our branded and OEM products that will include new technologies to enhance customer usability and performance, as well as address new market opportunities. We intend to develop solutions that build on the following emerging key technology areas:

GPRS. General Packet Radio Service (GPRS), commonly referred to as a 2.5G standard, is a high-speed wireless packet data service that runs on GSM or TDMA networks. GPRS is being adopted by many GSM and TDMA networks in North America, Europe and Asia. GPRS is a packet network, allowing for always-on connectivity, that offers data speeds up to 115 Kbps. This technology is expected to be developed by major GSM carriers by the end of 2000.

1XRTT. CDMAOne 2000 Phase 1 or 1XRTT, commonly referred to as a 2.5G standard, is a spread spectrum technology, based on CDMA technology standards, that forms the basis for 3G. CDMA is used primarily in North and South America, Japan and South Korea. 1XRTT offers access speeds of up to 144 Kbps. This technology is expected to be implemented by major CDMA carriers by the middle of 2001.

W-CDMA. Wideband CDMA (W-CDMA), commonly referred to as a 3G standard, is a high-speed wireless packet voice, data and multi-media services based on CDMA technology. W-CDMA offers data speeds of up to 2 Mbps. W-CDMA technology is adopted by major carriers and standard organizations as the global standard for 3G. This technology is expected to be implemented in Japan by the end of 2001 and in Europe and North America in 2003.

OUR TECHNOLOGY FOCUS

In addition to developing products based on the technology standards mentioned above, we have developed and continue to build on the following key technology areas:

Advanced Radio Frequency Design. Advanced Radio Frequency (RF) design is the key technology that determines the performance of wireless devices. We have specialized in the 800/900 MHz designs for analog and digital cellular, packet data and spread spectrum systems. Our proprietary RF technology contributes to the performance, small size and low cost of products. We are currently developing the 1800 and 1900 MHz RF technology for future high speed wireless systems including GPRS, 1XRTT and 3G technologies.

Miniaturization and System Integration. Small systems integration is the integration of application specific integrated circuits, RF, baseband and packaging technologies. The complete wireless modem is packaged into a sub-credit card module with the advent of proprietary integrated circuit design, embedded software modem and multi-layer RF stripline technologies. We have one of the smallest wireless modems available, the only pocket-sized wireless modem for the Palm family of personal computing devices, and a Type II PC card modem. We will continue to augment the miniaturization technology to drive down the size and cost of current and future products.

CUSTOMERS

Our customers include wireless telecommunications operators, wireless data content and service providers, OEM customers, professionals and consumers. The following is a representative selection of our customers:

WIRELESS TELECOMMUNICATIONS OPERATOR CUSTOMERS	WIRELESS DATA CONTENT AND SERVICE PROVIDER AND RESELLER CUSTOMERS	OEM CUSTOMERS
Verizon Wireless	GoAmerica Communications Corp.	AirLink
AT&T Wireless(1)	CreSenda (Internet content	@Road (vehicle tracking)
Cellcom (Middle East)	provider)	Harvest/Coca Cola (vending)
Movilnet (Latin America)	OmniSky	IVI Checkmate
NTE (China)		KeyCorp (mobile point of sale)
		Pivot International (voting booths)
		Symbol (inventory control)

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(1) AT&T currently sources our products through its distribution partner, Global Data Wireless.

Each of the customers listed in the table above has accounted for at least $50,000 in revenue to us since January 1, 1999. OmniSky, @Road and Pivot International accounted for 24.2%, 23.6% and 13.0% of our revenue, respectively, for the quarter ended March 31, 2000. @Road, OmniSky and AirLink accounted for 23.1%, 14.3% and 9.2% of our revenue, respectively, for the year ended December 31, 1999.

Many of our customer relationships provide us with the opportunity to expand our customer base and market reach. Among those mutually beneficial relationships that augment our sales opportunities are the following:

Wireless Telecommunications Operators. We work closely with our carrier customers to generate demand for our products. Our carrier customers serve as an important sales channel for our products. Verizon Wireless, which was recently formed by AirTouch Communications, Bell Atlantic Mobile, GTE Wireless and PrimeCo, sources our products through Global Data Wireless. AT&T Wireless also sources our products, through its distribution partner Global Data Wireless. Verizon Wireless and AT&T Wireless both maintain large sales forces that develop sales opportunities for us. These sales leads are either consummated directly by the carrier or jointly with our account executives. This approach allows us to combine our wireless data expertise with the carriers' vast end-customer relationships and broad sales reach. Our carrier customers also provide us and our customers with important services, including field

trial participation, first-tier technical support, wireless data marketing and access to additional indirect distribution channels. To leverage these services, we provide carriers with early access to new products, technical training and co-marketing resources.

Wireless Data Content and Service Providers. Wireless data content and service providers purchase our products either directly from us or from a distributor and resell them to end-users. These providers typically integrate our products with other elements and provide an overall wireless access solution to the end-user in a particular field or vertical market. These solutions include hardware, software and ongoing service components. Examples of our content and service-provider customers include OmniSky and CreSenda.

OEM Customers. Our OEM customers integrate our products into devices that they manufacture and sell to end-users through their own direct sales forces and indirect distribution channels. Our products are integrated into a broad range of devices, including but not limited to, handheld computing devices, laptops, vehicle location devices (AVLs), electric meters, vending machines, industrial equipment, wireless credit processing and point of sale (POS). Major customers include @Road, Harvest and KeyCorp. We build strong relationships with our OEM customers because they rely heavily on our application engineering support during the process of integrating our products into theirs.

STRATEGIC ALLIANCES

We intend to develop and maintain strategic relationships within the wireless communications industry which complement and expand our existing distribution network and extend our technology and market reach. These arrangements include strategic technology and marketing relationships with providers of next generation wireless technology, application software developers focused on wireless products, OEM customers which integrate our products into other devices, value-added resellers, distributors, systems integrators and cellular carriers. These strategic relationships allow us to develop the most compelling wireless data products and provide us with access to additional markets, channels of distribution and increased sales opportunities. Our principal strategic alliances to date include the following:

Hewlett-Packard Company. Hewlett-Packard is a leading global provider of computing and imaging solutions and services and focuses on capitalizing on the opportunities of the Internet and the proliferation of electronic services. In March 2000, we entered into a supply agreement under which we will sell and provide technical support for a wireless modem cradle for use with the HP Jornada 540 Series Color Pocket PC.

Metricom, Inc. Metricom designs, provisions and operates networks and services for mobile users. Metricom operates a Ricochet wireless network, which is a system that broadcasts signals back and forth from transceivers mounted on utility poles to small radio modems connected to subscribers' computers. Ricochet network coverage is generally available at speeds up to 28.8 Kbps in the greater San Francisco Bay Area, Seattle, Washington, DC, selected areas of New York City and selected airports and college campuses. Metricom is currently under construction in 21 major service areas to bring the higher speed Ricochet 128 Kbps network to market, and ultimately expects to deploy a network in the markets covering 100 million in population. In October 1999, we entered into a license, manufacturing and purchase agreement with Metricom under which we will custom develop a wireless radio modem compatible with Metricom's Ricochet network. Metricom will also purchase modems during the term of the agreement, which lasts until October 2001. We currently expect to begin shipping the modems later this year.

OmniSky Corporation. OmniSky offers a wireless service under its own brand for use on handheld mobile devices. In July 1999, we entered into an agreement with OmniSky, a wireless Internet service provider, for the development and sale of our Minstrel III and Minstrel V cradle modems for the Palm III and Palm V handheld computing devices. In November 1999, we began shipments to OmniSky. Although the term of this agreement ended on May 1, 2000, we are currently shipping and provisioning modems to OmniSky pursuant to the agreement.

Symbol Technologies, Inc. Symbol is a manufacturer of bar code-driven data transaction systems and is engaged in the design, manufacture and marketing of bar code reading equipment, handheld computers

and radio frequency (RF) data communications systems. In March 2000, we entered into an agreement with Symbol to integrate our Merlin OEM CDPD modems into Symbol's radio frequency data communications systems.

VoiceStream Wireless Corporation. VoiceStream is a leading provider of digital wireless communications. Through a license from the FCC, VoiceStream constructs and operates Personal Communication Service (PCS) networks. Nearly three out of every four people in the United States live in areas licensed to be served by VoiceStream or its affiliates. In March 2000, we entered into an agreement with VoiceStream, under which we will develop three types of wireless GPRS-PCS PC card modems for wireless mobile computing devices. The modems may be co-branded by VoiceStream. VoiceStream will also purchase our modems during the term of the agreement, which lasts until March 2003.

Novatel Wireless Developer Program. Because of our commitment to mobile computing platforms such as the Palm family of handheld computing devices, Microsoft Windows Pocket PC, and Microsoft Windows 9x/NT, we formed the Novatel Wireless Developer Program, which is a forum for us to work with application software developers to develop wireless data products and markets. The mission of the Developer Program is to encourage development of the best wireless data solutions using our products, and successfully to market those solutions to our customers. There are currently over 100 software developers enrolled in the Novatel Wireless Developer Program. We have established a partner community working together to create, deliver and support the best and most compelling wireless data applications. Once these companies have a commercial software package or service available, they are listed and promoted in the Wireless Solutions Guide. This guide is available on our Web site and is frequently used as a resource by internal sales personnel as well as carrier staff.

SALES AND MARKETING

As of June 30, 2000, our sales and marketing organization consisted of 63 professionals, including those located in six sales offices throughout the United States.

Sales

We sell our products using a multi-channel distribution model which includes both direct and indirect sales. In order to maintain strong sales relationships, we provide co-marketing, trade show, low-cost sales demo unit and joint press release support. In addition to our direct sales relationships with carriers and service providers, OEMs and VARs, we sell our products through the following channels:

- Domestic Distributors. In the United States, we sell our products through dedicated domestic distributors. As of June 30, 2000, our domestic distributors were D&H Distributing Company, Global Data Wireless and Ingram Micro.

- International Distributors. We sell our products through international distributors in Latin America, Israel, the Far East and New Zealand. As of June 30, 2000, our international distributors were Bismark, Insite, Cellcom and Golden Net.

- Mail-Order and Internet Catalogs. We sell our products to mail-order and Internet catalogues, including CDW, Mobile Planet, Multiple Zone, Outpost.com, PC Connection and PC Mall.

- Direct End-User Sales. Some end-users purchase products directly from us. Direct sales are facilitated through our Web site and our toll-free telephone number.

Marketing

We support our sales efforts through a variety of marketing initiatives. Our marketing organization focuses on creating market awareness of and promoting our products, generating sales leads, maintaining strong customer relationships, and developing interest in and demand for our products in new market segments.

We engage in a wide variety of marketing initiatives, which include:

- conducting marketing programs in conjunction with industry, business and trade publications;

- building awareness for our products and the Novatel Wireless brand through a wide variety of media;

- participating in industry and technology related trade shows, associations and conferences; and

- engaging in cooperative marketing programs and partnerships.

We also conduct extensive market research through our end-users, third-party developer community and channel customers. We use this information on a continuous basis to refine our product development and the position and assortment of our products in our sales channels.

PRODUCT DEVELOPMENT

Our product development efforts are focused on developing innovative products and improving the functionality, design and performance of our existing products. We intend to continue to identify and respond to our customers' needs by introducing new product designs with an emphasis on innovations in the ease-of-use, performance, size, weight, cost and power consumption of our products. We are also currently developing technology and products for high bandwidth wireless applications to address opportunities presented by the next generation of public and private wireless networks.

Our product development effort is driven by a highly skilled and experienced team. The core members of our research and development team have worked together for over 16 years, and the entire team has benefited from a low turnover rate in an intensely competitive environment for skilled engineers. While we have developed most new products and enhancements to existing products internally, we have also licensed technology from third parties.

We manage our products through a structured life cycle process, from identifying customer requirements through development and commercial introduction to eventual phase-out. Product development emphasis is placed on time-to-market, meeting industry standards and end-item product specifications, ease of integration, cost reduction, manufacturability, quality and reliability.

We believe that our future success will depend, in part, on our ability to identify and respond to emerging technological trends in our target markets, develop and maintain competitive products, enhance our existing products by adding features and functionality that differentiate them from those of our competitors, and bring products to market on a timely basis. As a result, we have devoted a significant portion of our resources to product development, and we intend to continue making substantial investments in research and development.

For the three months ended March 31, 2000, our research and development expense totaled $2.1 million. Our research and development expense totaled approximately $3.7 million for the year ended December 31, 1999, $2.3 million for the year ended December 31, 1998 and $2.7 million for the year ended December 31, 1997. As of June 30, 2000, we had 123 engineering and technical professionals in product development and manufacturing, which includes purchasing, fulfillment, quality assurance, quality control, reliability, technical documentation and technical publication.

MANUFACTURING

We currently outsource our manufacturing operations to Sanmina Corporation. In September 1999, we entered into a two-year agreement with Sanmina for the manufacture of our products. Under the agreement, Sanmina provides all component procurement, product manufacturing, final assembly, testing, quality control and delivery services for us. Under this agreement, we are required to provide Sanmina with firm purchase orders covering a minimum period of three months. Recently, we moved our principal manufacturing operations from Sanmina's facility in Calgary, Canada to its facility in Guntersville,

Alabama. In April 2000, we entered into a manufacturing agreement with GVC Corporation. We expect GVC to begin manufacturing some of our products at its facilities in Taiwan in the near future.

Our outsourced manufacturing activity allows us to:

- focus on our core competencies;

- minimize our capital expenditures;

- participate in contract manufacturer economies of scale and achieve rapid production scalability by adjusting to manufacturing volumes quickly to meet changes in demand;

- access best-in-class manufacturing resources; and

- operate without dedicating any space to manufacturing operations.

We believe that additional assembly line efficiencies are realized due to our product architecture and our commitment to process design. The components that make up our products are supplied by a number of vendors. Direct materials for our products consist of tooled parts such as printed circuit boards, molded-plastic components, unique metal components and application-specific integrated circuits (ASICs), as well as industry-standard components such as transistor, integrated circuits, piezo-electric filters, duplexers, inductors, resistor and capacitors, many of which are similar to components used in cellular telephone handsets. Although we generally use standard components for our products and try to maintain alternative sources of supply, some components, such as printed-circuit boards, molded plastic components, unique metal components and ASICs, are purchased from suppliers for which alternative sources are not currently available in the quantities and at the prices we require.

We employ our own manufacturing staff that focuses on managing the relationship with our third-party manufacturers and particularly on design-for-manufacturing, test procedures, quality, procurement and cost optimization, production scheduling and continuous improvement. We also perform certain manufacturing related functions internally, including manufacturing engineering and the development of manufacturing test procedures and fixtures.

GOVERNMENT REGULATION

Our products are subject to certain mandatory regulatory approvals. In the United States, the FCC regulates many aspects of communications devices, including radiation of electromagnetic energy, biological safety and rules for devices to be connected to the telephone networks. Modems must be approved under the above regulations by the FCC prior to being offered for sale. We have obtained from the FCC all necessary approvals for all products we currently manufacture and sell.

COMPETITION

The wireless data communications market is intense, rapidly evolving and highly competitive. It is subject to technological changes and is significantly affected by new product introductions and the market activities of industry participants. We compete in this market on the basis of price, form factor, time to market, functionality, quality and variety of product offerings. Moreover, we expect that this market will experience several new entrants in the future. To maintain and improve our competitive position, we must continue to develop new products, expand our customer base, grow our distribution network and leverage our strategic partnerships.

Our current and prospective competitors generally fall within the following categories:

- Wireless modem manufacturers, such as Sierra Wireless, Uniden, NextCell and Tellus;

- Traditional wired modem manufacturers, such as 3Com and Xircom;

- Wireless device manufacturers, such as Handspring, Palm and Research In Motion;

- Wireless handset manufacturers and next generation wireless technology providers, such as Ericsson, Motorola, and Nokia; and

- Non-CDPD private communications network providers, such as Emotiant, Bell South and Metricom.

We believe the principal competitive factors impacting the market for our products are functionality, features, performance, convenience, availability, brand and price. We believe that we compete better than many of our current competitors with respect to some or all of these factors due to the broad range of products we offer, the ease-of-use in design and engineering of our products, our ability to adapt our products to specific customer needs and our price leadership.

There can be no assurance that our current or potential competitors will not develop products comparable or superior to those developed by us or adapt more quickly to new technologies, evolving industry standards, new product introductions, or changing customer requirements. As a result, we must continuously introduce new products and educate existing and prospective customers as to the advantages of our products versus those of our competitors.

Many of our current and potential competitors have had longer operating histories and significantly greater financial, manufacturing, technical, sales, customer support, marketing and other resources, as well as greater name recognition and a larger installed products and technologies base. In addition, the global acceptance of our products could lead to increased competition as third parties develop products competitive with our own. Any of these competitors may be able to respond faster than we can to new or emerging technologies and changes in customer requirements and to devote greater resources to the development, promotion and sale of their products than we can. We cannot assure you that our current or potential competitors will not develop products comparable or superior to those that we develop or adapt more quickly than we do to new technologies, evolving industry trends or changing customer requirements.

In addition, as the wireless data communications product market develops, a number of companies with significantly greater resources than we have could attempt to increase their presence in the market by acquiring or forming strategic alliances with our competitors, resulting in increased competition.

PROPRIETARY TECHNOLOGY

Our software, hardware and operations rely on and benefit from an extensive portfolio of intellectual property. We currently hold 11 United States patents issued for our technology and have four United States patent applications pending. We also have four foreign patents issued and four foreign patent applications pending.

We own a number of trademarks, including Contact(R), Expedite(TM), Lancer 3W(TM), Merlin(TM), Minstrel(R), Minstrel III(TM), Minstrel V(TM), Minstrel Plus(TM), Minstrel S(TM), MissionONE(TM), Sage(R), with the accompanying designs, and the Novatel Wireless logo.

We license CDMA technology from QUALCOMM, Incorporated for integration into our products. This license allows us to manufacture CDMA-based wireless modems and sell or distribute them worldwide. The license does not have a specified term and may be terminated by us or by QUALCOMM for cause or upon the occurrence of other specified events. In addition, we may terminate the license for any reason upon 60 days' prior written notice. We have also granted to QUALCOMM a nontransferable, worldwide, nonexclusive, fully paid and royalty-free license to use, in connection with wireless communications applications, certain intellectual property of ours that is used in our products which incorporate the CDMA technology licensed to us by QUALCOMM. This license allows QUALCOMM to make, use, sell or dispose of such products and the components therein.

We primarily rely on a combination of copyright, trade secret and trademark laws, and nondisclosure and other contractual restrictions on copying and distribution to protect our proprietary technology. In addition, as part of our confidentiality procedures, we generally enter into nondisclosure agreements with our employees, consultants, distributors and corporate partners and limit access to and distribution of our

software, documentation and other proprietary information. It may be possible for a third party to copy or otherwise obtain and use our products or technology without authorization, or to develop similar technology. In addition, our products are licensed in foreign countries and the laws of such countries may treat the protection of proprietary rights differently from and may not protect our proprietary rights to the same extent as do laws in the United States.

EMPLOYEES

As of June 30, 2000, we had a total of approximately 219 employees, including 63 in sales and marketing, 123 in engineering, manufacturing, research and development and 33 in general and administrative functions. Our future performance depends, in significant part, upon our ability to attract new personnel and retain existing personnel in key areas including engineering, technical support and sales. Competition for personnel is intense, especially in the San Diego area where we are headquartered, and we cannot be sure that we will be successful in attracting or retaining personnel in the future. Our employees are not represented by any collective bargaining unit, and we consider our relationship with our employees to be good.

LEGAL PROCEEDINGS

We are not a party to any legal proceedings which, if adversely determined, would have a material adverse effect on our business, financial condition and results of operations. We may, from time to time, become a party to various legal proceedings arising in the ordinary course of business.

FACILITIES

Our principal executive offices are located in San Diego, California where we lease approximately 20,000 square feet under a lease that expires in July 2005. We also lease approximately 4,500 square feet in San Diego under a lease that expires in March of 2005. In addition, we lease approximately 20,000 square feet in Calgary, Alberta, Canada for our research and development organization under a lease that expires in January 2002, and 14,500 square feet in Carlsbad, California utilized for distribution purposes under a lease that expires in August 2002. We also lease space in various geographic locations primarily for sales and support personnel or for temporary facilities. We believe that our existing facilities are adequate to meet our current needs, and that suitable additional or substitute space will be available as needed.

MANAGEMENT

EXECUTIVE OFFICERS AND DIRECTORS

The following table sets forth information regarding our executive officers and directors:

NAME	AGE	POSITION(S)
John Major	54	Chairman of the Board and Chief Executive Officer
Ambrose Tam	44	President, Chief Operating Officer and Chief Technology Officer
Bruce Gray	45	Senior Vice President, Sales and Marketing
Melvin Flowers	47	Vice President of Finance, Chief Financial Officer and Secretary
Steven G. Schlief	44	Vice President, Operations
Bernice Bradin	54	Director
Robert Getz(1)	38	Director
Nathan Gibb(1)	30	Director
H.H. Haight(1)(2)	66	Director
David Oros	40	Director Nominee
Mark Rossi(2)	43	Director
Steven Sherman	54	Director

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(1) Member of Audit Committee

(2) Member of Compensation Committee

John Major has served as our Chairman of the Board and Chief Executive since July 2000. From November 1999 until July 2000, Mr. Major was Chief Executive Officer of Wireless Internet Solutions Group, a strategic consulting services firm. From November 1998 to November 1999, Mr. Major was President and Chief Executive Officer of WirelessKnowledge, a joint venture between Microsoft Corporation, a software and Internet technology company, and QUALCOMM, Incorporated, a digital wireless communications company. From May 1997 to November 1998, he was an Executive Vice-President of QUALCOMM and served as President of QUALCOMM Infrastructure Products Division. From 1977 until he joined QUALCOMM in 1997, Mr. Major held a number of executive positions at Motorola, Inc., a communications and electronics company, ultimately serving as Senior Vice President and Chief Technical Officer. Mr. Major currently serves on the board of directors of Littelfuse Corporation, a circuit protection technology company; Verilink, an intelligent edge connection wireline modem company; Identix, Inc., an identification technology company; Advanced Remote Communications Solutions, Inc., a communications systems company, and Lennox Corporation, an HVAC products company. He also serves on the Board of Directors' Executive Committee for the Telecommunications Industry Association and the Electronics Industry Association. Mr. Major holds a Bachelor of Science degree in Mechanical and Aerospace Engineering from the University of Rochester, and a Master of Science degree in Mechanical Engineering from the University of Illinois. He also holds an Master of Business Administration degree, with distinction, from Northwestern University and a Juris Doctor from Loyola University.

Ambrose Tam has served as the President and Chief Operating Officer of our company since August 1996 and as our Chief Technical Officer since that time as well. From 1990 to 1993, he was the Research and Development Director of NovAtel Communications Ltd., which is now NovAtel, Inc., and in 1994 he became the General Manager of the Personal Communications Products division of NovAtel Communications. Our company was founded when we acquired the assets of this division from NovAtel Communications Ltd. Prior to joining NovAtel Communications, Mr. Tam spent 12 years in various electronic and radio frequency engineering capacities with Astec Components Ltd., a Hong Kong-based manufacturing, engineering and distribution company specializing in radio frequency, satellite receivers and cellular phone components. Mr. Tam holds a Higher Certificate in Electronic Engineering from Hong

Kong Polytechnic University and a Master of Business Administration degree from the University of Calgary.

Bruce Gray has served as our Senior Vice President of Sales and Marketing since February 2000. Prior to that he was our vice president of sales and marketing since joining our company in October 1998. From October 1997 to October 1998, Mr. Gray was the Senior Director of Uniden Electronics Corporation's Data Products Division, where he was responsible for sales performance, strategic planning, channel development and new product development. Prior to joining Uniden, a wireless communications company, Mr. Gray was a Director of Sales and Marketing for Sensormatic Electronics Corporation, a supplier of electronic security products, from December 1994 to October 1997. From May 1992 to January 1994, Mr. Gray was a Director of Marketing and Product Management for U.S. Robotics Corporation, a communications products company. Mr. Gray holds a Bachelor of Science degree in Engineering from the University of Alabama and a Master of Business Administration degree from the University of San Diego.

Melvin Flowers has served as our Vice President of Finance and Chief Financial Officer since joining our company in February 2000, and Secretary of our company since April 2000. Mr. Flowers served as a Vice President and the Chief Financial Officer of KNC Software, LLC, an Internet software company from July 1999 until November 1999. Prior to joining KNC Software, Mr. Flowers served as a Vice President and the Chief Financial Officer of Microwave dB, from November 1998 until June 1999. Prior to joining Microwave, Mr. Flowers served as the Chief Financial Officer and Vice President of Finance of ACT Networks, Inc., a network access device manufacturer from July 1993 to October 1998. Previously, Mr. Flowers also served as President and Chief Financial Officer of Pacific Earth Resources, an ornamental horticultural company, and as Vice President and Chief Financial Officer of Spectramed, Inc., a medical device manufacturing company. Mr. Flowers received a Bachelor of Science degree in Accounting from Northern Illinois University.

Steven Schlief has served as Vice President of Operations since joining our company in July 2000. Prior to joining us, he was Vice President, Supply Chain Management, for the Asian operations of Celestica Inc., a contract manufacturer from September 1997 to July 2000. Prior to that, Mr. Schlief was Director of Materials at Polycom Inc., a telecommunications and video conferencing company, from January 1995 to September 1997. Mr. Schlief has also held positions with Apple Computer, IEC Electronics and Lockheed Corporation where he worked in a number of areas including materials, supply chain management and operations. Mr. Schlief holds a Bachelor of Arts degree from San Jose State University and a Master of Business Administration from Santa Clara University.

Bernice Bradin has served as a director of our company since August 1996. Upon completion of certain regulatory approvals in connection with the issuance of our Series D preferred stock, which approval is expected to occur prior to completion of this offering, Ms. Bradin will resign as a member of the Board of Directors. Ms. Bradin has served as a Vice President and one of the founders of Argo Global Capital, Inc., the entity that manages GSM Capital Limited Partnership, a venture capital firm, since September 1997. Prior to founding Argo Global Capital, Inc., Ms. Bradin was a Vice President at Advent International Corporation, a venture capital firm, from May 1991 to June 1998. Ms. Bradin also currently serves as a director of several private companies, including Melard Technologies Inc., a data communications company, Hyperchip Inc., a router development company and WatchMark, Corp., a network management systems developer. Ms. Bradin received a Bachelor of Arts degree from Cornell University and a Master of Business Administration degree from Harvard University.

Robert Getz has served as a director of our company since December 1999. Since December 1996, Mr. Getz has served as a Managing Director of Cornerstone Equity Investors, LLC, a private equity investment firm that specializes in technology and telecommunications, business service and healthcare information investments. Prior to joining Cornerstone, Mr. Getz served as a Managing Director of Prudential Equity Investors, Inc., also a private equity investment firm, from June 1994 until December 1996. Mr. Getz also serves as a director for several private companies, including Artel Video Systems, Inc., a developer of broadband video networking equipment, and Centurion International, Inc. a designer and manufacturer of antenna and power solutions for the wireless device industry. Mr. Getz holds a

Bachelor of Arts degree from Boston University and a Master of Business Administration in finance from the Stern School of Business at New York University.

Nathan Gibb has served as a director of our company since June 1999. Mr. Gibb is an Investment Manager with Working Ventures Canadian Fund Inc., a Canadian investment fund. Mr. Gibb joined Working Ventures after receiving his Masters of Business Administration from the University of Western Ontario in 1997. Mr. Gibb also serves on the board of directors of a number of private portfolio companies, including InterUnion Asset Management Ltd., an asset management firm consolidator. Mr. Gibb holds a Bachelor of Arts degree and a Master of Business Administration degree from the University of Western Ontario.

H.H. Haight has served as a director of our company since August 1996. Mr. Haight is President, Chief Executive Officer and founder of Argo Global Capital, Inc., the entity that manages GSM Capital Limited Partnership, a venture capital firm. Prior to founding Argo Global Capital, Inc., Mr. Haight was a Managing Director and co-founder of Advent International, a venture capital firm from June 1983 to June 1998. Mr. Haight also currently serves as a director of Coast Mountain Hardwoods, a lumber concern, Genelabs Technologies, Inc., a pharmaceutical company, Saraide, a wireless service provider, and several other private companies. Mr. Haight received a Bachelor of Science degree from the University of California at Berkeley and a Master of Business Administration degree from Harvard University.

David S. Oros has been nominated and has consented to becoming a director upon the completion of certain regulatory approvals in connection with the issuance of our Series D preferred stock. Mr. Oros will serve as a director of our company beginning at that time. In 1996, Mr. Oros founded Aether Systems, Inc., a provider of wireless data services and systems for wireless handheld devices, and has been Aether's chairman, chief executive officer and president since its inception. Mr. Oros also serves on the board of directors of OmniSky Corporation, which offers a wireless service for use on handheld mobile devices. From 1994 until 1996, Mr. Oros was president of NexGen Technologies, L.L.C., a wireless software development company that contributed all of its assets to Aether. From 1992 until 1994, he was president of the Wireless Data Group at Westinghouse Electric Company. Prior to that, Mr. Oros spent from 1982 until 1992 at Westinghouse Electric directing internal research and managing large programs in advanced airborne radar design and development. Mr. Oros received a Bachelor of Science degree in mathematics and physics from the University of Maryland and holds a U.S. patent for a multi-function radar system.

Mark Rossi has served as a director of our company since December 1999. Since December 1996, Mr. Rossi has served as Managing Director of Cornerstone Equity Investors, LLC, a private equity investment firm that specializes in technology and telecommunications, business service and healthcare information investments. Prior to joining Cornerstone, Mr. Rossi served as the President of Prudential Equity Investors, Inc., a private equity investment firm, from June 1994 to December 1996. Mr. Rossi also serves as a Director of Maxwell Technologies, Inc., a diversified technology products and services company, MCMS, Inc. an electronics manufacturing services company, True Temper Sports, Inc., a designer and manufacturer of golf shafts and specialty tubing products, and several private companies. Mr. Rossi holds a Bachelor of Arts degree from Saint Vincent College and a Master of Business Administration in finance from the Kellogg School of Management at Northwestern University.

Steven Sherman has served as a director of our company since August 1996. Mr. Sherman also served as our Chief Executive Officer from August 1997 until November 1998 and as Chairman of the Board from August 1997 until September 1999. In 1990, Mr. Sherman founded Main Street and Main, a restaurant franchise holding company, and served as its Chairman until 1994. Since 1988, Mr. Sherman has been the managing member of Sherman Capital Group, L.L.C., a merchant banking organization. Mr. Sherman founded and served in various capacities, including Chairman and Chief Executive Officer at Vodavi Communication Systems, Inc., a telephone hardware and software company, until its acquisition of Executone Information Systems, Inc. in 1988. He was a director of Executone from 1988 until 1990. Currently, Mr. Sherman is chairman of the board of Airlink Communications, Inc., a wireless software infrastructure business. Mr. Sherman holds a Bachelor of Arts degree in Business Administration from City College of New York.

BOARD COMPOSITION

We currently have authorized eight directors. Our amended and restated certificate of incorporation provides for a classified board of directors that consists of three classes of directors, each serving staggered three year terms. As a result, a portion of the board of directors will be elected each year. The three classes will be as nearly equal in number as possible, as determined by the board of directors. The Class I directors will serve an initial term until the annual meeting of stockholders to be held in 2001, the Class II directors will serve an initial term until the annual meeting of stockholders to be held in 2002, and the Class III directors will serve an initial term until the annual meeting of stockholders to be held in 2003. Each class will be elected for three-year terms following its respective initial term. Messrs. Gibb and Haight have been designated Class I directors whose terms expire at the 2001 meeting of stockholders. Messrs. Rossi and Sherman have been designated Class II directors whose terms expire at the 2002 annual meeting of stockholders. Messrs. Getz, Major and Oros have been designated Class III directors whose terms expire at the 2003 annual meeting of stockholders. At each annual meeting of stockholders, directors will be elected by the holders of common stock to succeed those directors whose terms are expiring. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes of directorships so that, as nearly as possible, each class will consist of one-third of the total number of directors. This classification of our board of directors may have the effect of delaying or preventing changes in control of our company or in our management. See "Description of Securities -- Delaware Antitakeover Law and Charter and Bylaw Provisions." The executive officers are elected by and serve at the discretion of our board of directors. Our non-employee directors devote such time to the affairs of our company as is necessary to discharge their duties. There are no family relationships among any of our directors or our executive officers.

BOARD COMMITTEES

We have established an audit committee composed of independent directors that reviews and supervises our financial controls, including the selection of our independent accountants, reviews our books and accounts, meets with our officers regarding our financial controls, acts upon recommendations of our auditors and takes further actions as the audit committee deems necessary to complete an audit of our books and accounts. The audit committee also performs other duties as may from time to time be determined. The audit committee currently consists of three directors, Messrs. Getz, Gibb and Haight.

We have also established a compensation committee that reviews and approves the compensation and benefits of our executive officers, administers our compensation, stock incentive, and stock purchase plans, makes recommendations to the board of directors regarding these matters and performs other duties as may from time to time be determined by our board of directors. The compensation committee currently consists of two directors, Messrs. Haight and Rossi.

DIRECTOR COMPENSATION

Directors do not currently receive any cash compensation from us for attending board of directors or committee meetings, except for reimbursement of reasonable expenses incurred in connection with attending those meetings. Directors who are employees of ours are eligible to participate in our 2000 stock incentive plan and our 2000 employee stock purchase plan. Non-employee directors who join our board after this offering are eligible to participate in our 2000 stock incentive plan. Our 2000 stock incentive plan and our 2000 employee stock purchase plan were adopted by our board on July 24, 2000 and will be approved by our stockholders prior to the consummation of this offering. Our 2000 stock incentive plan generally provides for an automatic initial grant of options to purchase 20,000 shares of our common stock to each non-employee director on the date on which a person first becomes a non-employee director of our company. After the initial grant, a non-employee director will be granted each year on the date of our annual meeting of stockholders a subsequent option to purchase 5,000 shares of our common stock, if he or she continues to serve after such annual meeting and if he or she received an initial stock option grant. These options vest over a four-year period with 25% of the option shares vesting on the first anniversary of the date of grant and the remainder vesting in 36 equal monthly installments, with accelerated vesting in

the event of certain changes of control. Non-employee directors receive grants solely at the discretion of the compensation committee. The exercise price of options will be 100% of the fair market value per share of our common stock on its date of grant. For an additional description of these option plans, please refer to our discussion under "Compensation Plans."

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

None of our compensation committee members has been an officer or employee of our company or any subsidiary of our company at any time. None of our executive officers serves on the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our board of directors or our compensation committee. Until April 2000, Mr. Sherman, one of our directors, was a member of our compensation committee. Mr. Sherman has been chief executive officer of Novatel Wireless Solutions, Inc., one of our subsidiaries, since April 1996.

EXECUTIVE COMPENSATION

The following table sets forth summary information concerning the compensation received for services rendered to us during the fiscal year ended December 31, 1999 by our Chief Executive Officer and each of the other four most highly compensated executive officers, each of whose aggregate compensation during the last fiscal year exceeded $100,000, referred to collectively in this prospectus as the named executive officers. No individual who would otherwise have been includable in the table on the basis of salary and bonus earned during 1999 has resigned or otherwise terminated his or her employment during 1999.

In July 2000, Mr. Major was appointed as our Chief Executive Officer. His annual base salary is $325,000. In September 1999, Mr. Weitzner joined us as our Vice President of Operations and Research and Development. His annualized salary for 1999 was $220,000. Mr. Weitzner's employment was terminated in July 2000. In July 2000, Mr. Schlief was appointed as our Vice President of Operations. His annual salary is $225,000, and he received a one time sign-on bonus of $28,000. In February 2000, Mr. Flowers was appointed as our Chief Financial Officer. His annual salary is $160,000.

Annual compensation listed in the following table excludes other compensation in the form of perquisites and other personal benefits that is less than the lesser of $50,000 or 10% of the total annual salary and bonus of each of the named executive officers in 1999. The options listed in the following table were originally granted under our 1997 employee stock option plan. These options will be incorporated into our 2000 stock incentive plan, but will continue to be governed by their existing terms. See "Management -- 2000 Stock Incentive Plan."

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	ANNUAL COMPENSATION		LONG-TERM COMPENSATION AWARDS
	SALARY	BONUS	SECURITIES UNDERLYING OPTIONS
Robert Corey(1)..... Chief Executive Officer	$200,000	$50,000	--
Ambrose Tam(2)..... President, Chief Operating Officer and Chief Technology Officer	162,302	48,418	--
Bruce Gray..... Senior Vice President, Sales and Marketing	141,750	--	50,000
Roger Hartman(1)..... Chief Financial Officer and Vice President	157,225	20,000	--
James Palmer(1)..... Vice President, Operations and Research & Development	179,815	--	--

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(1) Mr. Corey ceased serving as our Chief Executive Officer in July 2000, Mr. Hartman ceased serving as our Chief Financial Officer in February 2000 and Mr. Palmer ceased serving as our Vice President, Operations and Research and Development, in October 1999.

(2) Mr. Tam's annual salary compensation in 1999 was (Canadian) $238,568, and his annual bonus compensation in 1999 was (Canadian) $71,280. The amount shown is based on the daily Noon Buying Rate of (Canadian) $1.46 per (US) $1.00 on July 26, 2000.

OPTION GRANTS IN FISCAL YEAR 1999

The following table provides summary information regarding stock options granted to our named executive officers during the fiscal year ended December 31, 1999. No stock appreciation rights were granted during 1999.

The potential realizable value is calculated assuming the fair market value of the common stock appreciates at the indicated rate for the entire term of the option and that the option is exercised and sold on the last day of its term at the appreciated price. Stock price appreciation of 5% and 10% is assumed pursuant to the rules of the Securities and Exchange Commission and does not represent our estimate or projection of future common stock prices. We cannot assure you that the actual stock price will appreciate over the term of the options at the assumed 5% and 10% rates or at any other defined rate. Actual gains, if any, on stock option exercises will depend on the future performance of our common stock. Unless the market price of the common stock appreciates over the option term, no value will be realized from the option grants made to the named executive officers.

	INDIVIDUAL GRANTS					POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM	
NAME	DATE OF GRANT	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE OR BASE PRICE PER SHARE	EXPIRATION DATE	5%	10%
Bruce Gray.....	October 25, 1999	50,000	17.83%	$2.86	October 24, 2009	$ 89,932	$227,905
John Weitzner.....	August 18, 1999	75,000	26.74%	$2.86	August 17, 2009	$134,898	$341,858

In 1999, we granted options to purchase up to a total of 280,500 shares to employees, directors and consultants under our 1997 employee stock option plan at an exercise price equal to the fair market value of our common stock on the date of grant, as determined in good faith by our board of directors.

Mr. Gray's options began to vest on January 1, 2000. The options vest over a four-year period, with 25% of the option shares vesting on the first anniversary of the date of grant, and the remaining shares vesting in equal monthly installments over the 36-month period following that date. The vesting of the options will immediately accelerate upon a sale or merger of our company. Mr. Weitzner's options began to vest on September 1, 1999. In July 2000, Mr. Weitzner ceased to be an employee of our company. As of July 25, Mr. Weitzner held options to purchase 75,000 shares of our common stock at an exercise price of $2.86 per share, none of which had vested.

In July 2000, Mr. Major was appointed Chief Executive Officer, and we granted Mr. Major options to purchase 1,012,180 shares of common stock at an exercise price of $15.00 per share. The option shares will vest and become exercisable as follows: 202,436 option shares are immediately exercisable; 126,523 option shares vest and become exercisable on July 24, 2001; 126,523 option shares vest and become exercisable on July 24, 2002; and 101,218 option shares vest and become exercisable on each July 24 of 2001, 2002, 2003 and 2004. In addition, 151,827 option shares shall vest and become exercisable on the earlier to occur of (1) our attaining certain milestones before December 31, 2000 and (2) with respect to 75,916 option shares, on July 24, 2003 and with respect to another 75,916 option shares, on July 24, 2004. The vesting of the option shares will immediately accelerate upon a change in control of our company. The options expire on the first to occur of 6 months after termination (in the event of termination of Mr. Major's employment by death or disability), 90 days after termination (in the event of termination of Mr. Major's employment for any other reason) or July 24, 2010.

In July 2000, Mr. Schlief was appointed Vice President, Operations, and we granted Mr. Schlief options to purchase 200,000 shares of common stock at an exercise price of $15.00 per share. The options are subject to our 1997 employee stock option plan and will vest over a four-year period, with 25% of the option shares vesting each year.

In February 2000, Mr. Flowers was appointed Vice President of Finance and Chief Financial Officer, and we granted Mr. Flowers options to purchase 125,000 shares of common stock at an exercise price of

$5.00 per share. The options will vest over a four-year period, with 25% of the option shares vesting on February 17, 2001, and the remainder vesting in equal monthly installments over the 36-month period following that date. The vesting of the options will immediately accelerate upon a sale or merger of our company.

OPTION EXERCISES IN LAST FISCAL YEAR AND YEAR-END OPTION VALUES

The following table sets forth information concerning the number and value of shares of common stock underlying the unexercised options held by the named executive officers as of December 31, 1999. The table also sets forth the value realized upon exercise of stock options in fiscal year 1999, and the year-end number and value of unexercised options with respect to each of the named executive officers as of December 31, 1999. The value was calculated by determining the fair market value of our common stock on the date of exercise, as determined in good faith by our board of directors, less the exercise price paid for the shares. The value of unexercised in-the-money options at December 31, 1999 is calculated based on an assumed initial public offering price of $, less the exercise prices of the options, multiplied by the number of shares underlying those options.

FISCAL YEAR-END OPTION VALUES

			NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT DECEMBER 31, 1999		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT DECEMBER 31, 1999	
NAME	NUMBER OF SHARES ACQUIRED ON EXERCISE	VALUE REALIZED	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Robert Corey(1).....	--	--	145,833	354,167		
Ambrose Tam.....	--	--	15,000	15,000		
John Weitzner(1).....	--	--	--	75,000		
Bruce Gray.....	--	--	10,000	80,000		
Roger Hartman(1).....	--	--	25,000	75,000		
James Palmer(1).....	100,000	$490,000	100,000	--		

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(1) Messrs. Corey and Weitzner left the company in July 2000; Mr. Hartman left the company in February 2000; Roger Hartman left the Company in February 2000 and Mr. Palmer left the company in October 1999.

EMPLOYMENT-RELATED ARRANGEMENTS

In August 2000, we entered into an employment agreement with John Major covering an initial term of three years under which Mr. Major will serve as the Chairman of our board of directors and as our Chief Executive Officer. The agreement provides for Mr. Major to receive an annual base salary of $325,000, subject to review by our board at least annually, and an annual performance incentive bonus payable in a single installment in an amount equal to up to 100% of Mr. Major's then applicable annual salary. The agreement provides for Mr. Major to receive half his bonus in cash and the remaining half in shares of our common stock. In addition, we granted Mr. Major options to purchase up to 1,012,181 shares of our common stock at an exercise price of $15.00 per share. Twenty percent of these options vested and became exercisable on their date of grant and the remaining options will vest and become exercisable with the passage of time or upon the occurrence of specified events. In the event that we terminate Mr. Major without cause, or in the event he terminates his employment with us because we have materially breached the terms of his employment agreement or because a change of control occurs, he is entitled to receive in a lump sum payment an amount equal to his base salary then in effect and all unvested options will immediately vest and become exercisable. Mr. Major would then also be entitled to a bonus equal to the amount of the bonus he had earned as of the date of his termination as well as to the continuation of certain employee benefits pursuant to the terms of existing company plans. If we terminate Mr. Major's employment for cause, or Mr. Major terminates his employment without good reason,

Mr. Major will be entitled to received severance and other benefits only as may then be established under our existing severance and benefit plans and policies at the time of such termination.

On August 21, 1996, Ambrose Tam entered into a five-year employment agreement with us and one of our subsidiaries, NWT, under which Mr. Tam agreed to serve as our and NWT's President and Chief Operating Officer. The employment agreement provides for an annual salary of no less than (Canadian) $187,440 (US $127,523) adjusted from time to time, and an annual performance incentive bonus targeted to be 33% of his annual base salary, based on the achievement of certain performance objectives. The employment agreement provides that if Mr. Tam is terminated without cause, he will be entitled to (Canadian) $250,000 (US $170,486), payable in two equal installments, the first of which would occur upon his termination and the second of which would occur six months thereafter. In this event, Mr. Tam would also receive a performance bonus prorated for the period it covers and he would continue to receive certain employee benefits for 12 months. If Mr. Tam terminates his employment because of a material breach of the employment agreement by either us or NWT, he will be entitled to (Canadian) $250,000 (US $170,486), his incentive bonus prorated for the year and the continuation of certain employee benefits for 12 months. In the event of a change of control of either us or NWT, Mr. Tam will be entitled to (Canadian) $125,000 (US $85,243) if he resigns from employment within 30 days from the date of the change of control. All US dollar amounts presented above are based on the daily Noon Buying Rate of (Canadian) $1.46 per (US)$1.00 on July 26, 2000.

We have entered into arrangements with several of our employees which provide that the salary of each of these employees will continue for six months if we cease to do business or if the employee's employment is terminated without cause.

On April 17, 2000, we entered into a separation agreement and general release with Roger Hartman pursuant to which, effective April 30, 2000, Mr. Hartman agreed to terminate his employment with us. As of April 30, 2000, Mr. Hartman held 100,000 options to purchase shares of our common stock at an exercise price of $2.86 per share, 25,000 of which had vested. Under our agreement, Mr. Hartman will serve as a consultant to us for a period of six months ending October 31, 2000 for a monthly consultant fee of approximately $12,000 and will be considered an employee for purposes of the vesting of his stock options and participation in our 401(k) plan. After October 31, 2000, for the two-month period ending December 31, 2000, Mr. Hartman will serve us as a part-time consultant for which he will not be paid a consulting fee, though his stock options will continue to vest.

COMPENSATION PLANS

1997 EMPLOYEE STOCK OPTION PLAN

Our 1997 employee stock option plan provided for the grant to employees of incentive and nonstatutory stock options. As of July 25, 2000, 2,987,819 shares were authorized under the plan, 1,888,550 shares were subject to outstanding options and 1,099,269 shares remain available for future grant. Our board of directors has determined that no further options will be granted under the 1997 stock option plan after the completion this offering. The remaining shares issuable under the 1997 employee stock option plan shall be available for issuance under our 2000 stock incentive plan.

2000 STOCK INCENTIVE PLAN

Our 2000 stock incentive plan was adopted by our board of directors on July 24, 2000 and will be approved by our stockholders prior to consummation of this offering. The plan will become effective upon our initial public offering. At that time, all outstanding options under our 1997 employee stock option plan will be transferred to the 2000 stock incentive plan, and no further option grants will be made under the 1997 plan. The transferred options will continue to be governed by their existing terms, unless a committee of our board administrating the plan decides to extend one or more of those features of the 2000 stock incentive plan to those options.

The 2000 stock incentive plan provides for the discretionary grant of incentive stock options to employees, including officers and employee directors, and for the discretionary grant of nonstatutory stock options, stock appreciation rights, stock units and stock purchase rights to employees, directors and consultants. A total of 4,500,000 shares of our common stock has been reserved for issuance under the 2000 stock incentive plan including the shares attributable to the 1997 employee stock option plan, excluding shares issuable upon exercise of options granted to our Chief Executive Officer in connection with his employment agreement. Beginning with the first fiscal year following the effective date of the 2000 stock incentive plan, on the first day of each fiscal year, shares will be added to the 2000 stock incentive plan equal to the lesser of (i) 500,000 shares, (ii) three percent of the shares of our common stock outstanding in the last day of the prior fiscal year, or (iii) such lesser number of shares as may be determined by our board in its sole discretion. Unless terminated sooner, the 2000 stock incentive plan will terminate on July 23, 2010.

A committee of our board which is comprised solely of independent directors will generally serve as administrator of the 2000 stock incentive plan from and after the date of this offering. The administrator of our 2000 stock incentive plan generally has the power to select the key employees who are to receive awards under the plan, interpret and operate the plan, determine the type, number, vesting requirements and other features and conditions of an award of the options, restricted stock, stock appreciation rights and stock units granted. The compensation committee shall consist of at least two independent directors who shall satisfy the requirements of Rule 16b-3 (or its successor) promulgated under the Securities Exchange Act of 1934, as amended, with respect to awards granted to our officers and directors under Section 16 of this Act.

Our board is the administrator of the 2000 stock incentive plan's non-employee director grant program. Non-employee directors who first join our board after the effective date of our initial public offering will receive a grant of an option to purchase 20,000 shares of our common stock when they become non-employee directors. In addition, all non-employee directors who receive such an initial grant will receive a grant each subsequent annual meeting of an option to purchase 5,000 shares, provided they continue to serve after such annual meeting. These options generally vest over a four-year period with 25% of the option shares vesting on the first anniversary of the date of grant and the remainder vesting in 36 equal monthly installments commencing on the date one month and one year after the date of grant. These options also provide for accelerated vesting in the event of certain changes of control. Non-employee directors receive grants solely at the discretion of our compensation committee.

Our board has the authority to amend, suspend or terminate the 2000 stock incentive plan at any time for any reason, but no such action shall affect any award previously granted under the plan. The maximum number of shares subject to options and/or stock appreciation rights that each optionee may be granted during a fiscal year is 1,000,000 shares, or 2,000,000 shares in the first fiscal year of an optionee's employment with us. Restricted stock and stock unit grants are limited to 500,000 shares per person in any fiscal year, or 1,000,000 shares, in the first fiscal year of a participant's employment with us.

Awards granted under our 2000 stock incentive plan are generally not transferable by the optionee, and each option and stock appreciation right is exercisable during the lifetime of the optionee only or by the optionee's guardian or legal representative. The plan provides that a stock appreciation rights agreement under the plan may provide for accelerated exercisability in the event of the optionee's death, disability or retirement or other events and may provide for expiration prior to the end of its term in the event of the termination of the optionee's service to us.

In the case of restricted stock and stock units, unless the administrator determines otherwise, the restricted stock purchase agreement shall grant us a repurchase option exercisable after the purchaser's employment or other service relationship with us has ended for any reason, including his or her death or disability. Each award of restricted stock and stock units will be granted pursuant to an agreement between us and the participant, and will vest in full or in installments in accordance with the respective agreement, which may provide for acceleration upon the occurrence of certain events. The purchase price for shares repurchased pursuant to the restricted stock purchase agreement shall be the original price paid by the

purchaser and may be paid by cancellation of any indebtedness of the purchaser to us. The repurchase option shall lapse at a rate determined by the administrator.

The exercise price of all incentive stock options and nonstatutory stock options granted automatically to non-employee directors must be at least equal to the fair market value of our common stock on the date of grant. The exercise price of other nonstatutory stock options and stock purchase rights granted under the 2000 stock incentive plan is determined by the administrator, but with respect to nonstatutory stock options intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (Internal Revenue Code), the exercise price must be at least equal to the fair market value of our common stock on the date of the grant. With respect to any participant who owns stock possessing more than 10% of the voting power of all classes of our outstanding capital stock, the exercise price of any incentive stock option granted must at least equal 110% of the fair market value on the grant date and the term of such incentive stock option must not exceed five years. The term of all other options granted under the 2000 stock incentive plan may not exceed ten years.

The 2000 stock incentive plan provides that in the event that our company is a party to a merger or other reorganization, outstanding awards, other than grants to directors, shall be subject to the agreement of merger or reorganization. Such agreement may provide, without limitation, for the assumption of outstanding awards by the surviving corporation or its parent, for their continuation by us if we are the surviving corporation, for accelerated vesting or for their cancellation with or without consideration. The plan administrator may determine, at the time of granting an award or thereafter, that such award shall become fully vested as to all shares subject to such award in the event that a change in control occurs with respect to our company.

2000 EMPLOYEE STOCK PURCHASE PLAN

Our 2000 employee stock purchase plan (2000 purchase plan) was adopted by our board of directors on July 24, 2000 and will be approved by our stockholders prior to consummation of this offering. The plan will become effective upon our initial public offering. A total of 500,000 shares of our common stock will be reserved for issuance under the 2000 purchase plan. Also, beginning with our first fiscal year beginning after the effective date of the 2000 purchase plan, on the first day of each fiscal year, shares will be added to the 2000 purchase plan equal to the lesser of (a) 0.5% of the outstanding shares of our common stock on the last day of the prior fiscal year, (b) 90,000 shares, or (c) such lesser number of shares as may be determined by our board in its sole discretion.

Under the 2000 purchase plan, which is intended to qualify under Section 423 of the Internal Revenue Code, our board of directors may determine the duration and frequency of stock purchase periods. Initially the plan will operate using consecutive, overlapping, twenty-four month offering periods. Each offering period will include four approximately six-month purchase periods. The offering periods generally start on the first trading day on or after February 1 and August 1 of each year, except for the first such offering period which commences on the effective date of the initial public offering and ends on the last trading day on or before January 31, 2002.

Employees of our company or of any designated subsidiary of ours will be eligible to participate. However, no employee may be granted an opportunity to purchase stock under the 2000 purchase plan if immediately after the grant, he or she would own stock possessing 5% or more of the total combined voting power or value of all classes of our capital stock.

The 2000 purchase plan permits participants to purchase our common stock through payroll deductions of up to 10% of their total annual compensation. Amounts deducted and accumulated by the participant are used to purchase shares of common stock at the end of each purchase period. The price of stock purchased under the 2000 purchase plan is generally 85% of the lower of the fair market value of the common stock either at the beginning of the offering period (85% of the price at which a share is first offered by the underwriters to the public in the case of the first offering period) or at the end of the purchase period. In the event the fair market value at the end of a purchase period is less than the fair market value at the beginning of the offering period, the participants will be withdrawn from the current

offering period following exercise and automatically re-enrolled in a new offering period. Participants may end their participation at any time during an offering period, and they will be paid their payroll deductions to date. Participation ends automatically upon termination of employment with us.

Rights granted under the 2000 purchase plan are not transferable by a participant other than upon his or her death or by a special determination by the plan administrator. Each outstanding option under the 2000 purchase plan will be subject to the acquisition agreement in the event we merge with or into another corporation or sell substantially all of our assets.

Our board of directors has the authority to amend or terminate the 2000 purchase plan at any time for any reason. Unless earlier terminated by our board of directors, the 2000 purchase plan will terminate automatically 10 years from its effective date.

401(K) PLAN

Our 401(k) plan covers our employees located in the United States. The 401(k) plan is intended to qualify under Section 401(k) of the Internal Revenue Code. Consequently, contributions to the 401(k) plan by the employees or by us, and the investment earnings thereon, are not taxable to employees until withdrawn from the 401(k) plan. Further, contributions by us, if any, will be deductible by us when made. Employees may elect to contribute up to 15% of their current annual compensation to the 401(k) plan up to the statutorily prescribed annual limit. The 401(k) plan does not currently permit, but may in the future be amended to permit, additional matching contributions to the 401(k) plan by us on behalf of all participants in the 401(k) plan.

LIMITATION OF LIABILITY AND INDEMNIFICATION MATTERS

As permitted by the Delaware General Corporation Law, we have included a provision in our amended and restated certificate of incorporation to indemnify our officers and directors against liability for monetary damages for breach or alleged breach of their fiduciary duties as officers or directors, other than in cases of fraud or other willful misconduct. Our bylaws provide that we will indemnify our officers and directors to the maximum extent permitted by Delaware law and may indemnify our other employees and agents to the maximum extent permitted by Delaware. In addition, our bylaws provide that we will advance expenses to our officers and directors as incurred in connection with proceedings against them for which they may be indemnified. In addition, we plan to enter into indemnification agreements with our officers and directors. The indemnification agreements will require us, among other things, to indemnify officers and directors against liabilities that may arise by reason of their status or service as officers and directors (but not for liabilities arising from willful misconduct of a culpable nature), and to advance sums covering the expenses they incurred as a result of any proceeding against them as to which they could be indemnified.

We have obtained an insurance policy covering directors and officers for claims they would otherwise be required to pay or for which we are required to indemnify them.

At present, we are not aware of any pending or threatened litigation or proceeding involving a director, officer, employee or agent of ours in which indemnification would be required or permitted. We are not aware of any threatened litigation or proceeding that might result in a material claim for such indemnification. We believe that our charter provisions and indemnification agreements are necessary to attract and retain qualified persons as directors and officers.

RELATED PARTY TRANSACTIONS

Since January 1, 1997, there has not been any transaction or series of similar transactions to which we were or are a party in which the amount exceeded or exceeds $60,000 and in which any executive officer, director or any holder of more than 5% of any class of our voting securities or any member of the immediate family or any of the foregoing persons had or will have a direct or indirect material interest, other than the transactions described below.

SERIES D FINANCING

On June 30, 2000 and on July 14, 2000 we issued and sold an aggregate of 1,964,050 shares of our Series D preferred stock at a purchase price of $17.25 per share. We also issued warrants to purchase an aggregate of 392,800 shares of our common stock at an exercise price of $17.25 per share. Of the 1,964,050 shares of Series D preferred stock and the 392,800 accompanying warrants that we issued and sold, we issued and sold a total of 1,752,105 such shares and a total of 350,418 warrants to the following executive officers, directors, and greater than 5% stockholders of our company and persons associated with them for a total purchase price of approximately $30,223,812.

PURCHASER	NUMBER OF SHARES	NUMBER OF WARRANTS	TOTAL PURCHASE PRICE
Aether Capital, LLC	1,159,420	231,884	$19,999,995
Cornerstone Equity Investors IV, L.P.	289,855	57,971	4,999,999
GSM Capital Limited Partnership	172,173	34,434	2,969,984
Bank of Montreal Capital Corporation	60,638	12,127	1,046,006
Working Ventures Canadian Fund, Inc	57,971	11,594	1,000,000
Ventures West Investments Limited	9,096	1,819	156,906
ARGC III, LLC	1,739	347	29,998
Sam Znaimer	1,213	242	20,924

David S. Oros, who is a director nominee of ours, serves as Chairman, Chief Executive Officer and President of Aether Systems, Inc., which is the sole member of Aether Capital, LLC. Mr. Oros is also a director of OmniSky Corporation, of which Aether Systems, Inc. is an investor. In July 1999, we entered into an agreement with OmniSky for the development and sale of our Minstrel III and Minstrel V cradle modems for the Palm III and Palm V handheld computing devices. Although the term of this agreement ended on May 1, 2000, we are currently shipping and provisioning modems to OmniSky pursuant to this agreement. For the year ended December 31, 1999 OmniSky accounted for 14.3% of our revenue.

Robert Getz and Mark Rossi, two of our directors, are each managing directors of Cornerstone Equity Investors, LLC, which is the managing general partner of Cornerstone Equity Investors IV, L.P. Sam Znaimer, one of our former directors, is a senior vice president of Ventures West Capital Ltd., which wholly owns Ventures West Management TIP, Inc., which in turn manages Bank of Montreal Capital Corporation. Ventures West Capital Limited also controls Ventures West Investments Limited.

Two of our directors, H.H. Haight and Bernice Bradin, are executives of Argo Global Capital, Inc., which manages GSM Capital Limited Partnership. They are also both members of ARGC III, LLC and of ARGC, LLC (the latter of which purchased certain of our convertible subordinated debentures in our bridge financing transaction which we discuss below) and are limited partners of Advent Partners Limited Partnership, an entity that participated in some of our earlier financing rounds. In addition, they are entitled to receive a percentage of the carried interest payable to the managing general partner of each of Advent Israel Limited Partnership, Advent Israel (Bermuda) Limited Partnership, Golden Gate Development & Investment Limited Partnership and Digital Media & Communications Limited Partnership provided these funds show a gain on their investments. Each such fund purchased shares of our preferred stock in earlier rounds of financing.

Nathan Gibb, one of our directors, is an investment manager of Working Ventures Canadian Fund, Inc.

SERIES C FINANCING

On December 31, 1999, we issued and sold a total of 3,674,277 shares of Series C preferred stock at a purchase price of $8.34 per share. We also issued warrants to purchase a total of 706,357 and 9,856 shares of common stock at an exercise price of $10.00 and $8.34 per share, respectively, on or prior to December 31, 2004.

Of the 3,674,277 shares of Series C preferred stock that we issued and sold, a total of 1,916,628 shares of Series C preferred stock and warrants to purchase a total of 679,124 shares of common stock were issued and sold to the following executive officers, directors and greater than 5% stockholders of our company and persons affiliated with them for a total purchase price of approximately $16.0 million:

PURCHASER	NUMBER OF SHARES	NUMBER OF WARRANTS	TOTAL PURCHASE PRICE
Cornerstone Equity Investors IV, L.P.	1,798,561	359,712	$15,000,000
Bank of Montreal Capital Corporation	100,913	273,001	841,614
Ventures West Investments Limited	15,136	40,950	126,234
Sam Znaimer	2,018	5,461	16,830

1999 BRIDGE FINANCING

On June 24, 1999 and July 15, 1999, we issued and sold convertible subordinated debentures to purchasers in the total original principal amount of $3,120,000 bearing interest at the rate of 8% per annum. Of this amount, $500,000 was issued and sold by our subsidiary NWT. We also issued warrants to purchase a total of 1,310,002 shares of common stock at an exercise price of $2.00 per share on or prior to June 24, 2004 or July 15, 2004, respectively. NWT also issued warrants to purchase 250,000 shares of NWT's common stock at an exercise price of $2.00 per share. Upon the exercise of these NWT Warrants, the resulting shares of NWT common stock are thereafter exchangeable on a one-for-one basis for shares of our common stock. Immediately upon the closing of our Series C preferred stock financing, the principal amount then outstanding under the convertible subordinated debentures that we and NWT issued, together with accrued but unpaid interest thereon, automatically converted into an aggregate of 388,907 shares of Series C preferred stock at a price of $8.34 per share.

Of the $3,120,000 original principal amount of debentures that we and NWT issued and sold, we and NWT issued and sold a total original principal amount of $2,772,522 and warrants to purchase a total of 1,386,261 shares of Series C preferred stock and NWT common stock to the following executive officers, directors or greater than 5% stockholders of our company and persons affiliated with them:

PURCHASER	NUMBER OF WARRANTS	TOTAL PRINCIPAL AMOUNT OF CONVERTIBLE SUBORDINATED DEBENTURES
GSM Capital Limited Partnership	438,884	$877,768
Bank of Montreal Capital Corporation	266,078	532,156
Working Ventures Canadian Fund, Inc.	250,000	500,000
Marco Polo Industries Co., Ltd.	148,985	297,970
Digital Media & Communications Limited Partnership	95,131	190,262
Robert Corey	50,000	100,000
Ventures West Investments Limited	39,912	79,824
Golden Gate Development & Investment Limited Partnership	39,574	79,148
Advent Israel Limited Partnership	27,158	54,316
Advent Partners Limited Partnership	13,011	26,022
Roger Hartman	10,000	20,000
Sam Znaimer	5,322	10,644
ARGC, LLC	2,206	4,412

Mr. Corey is a former chief executive officer and Mr. Hartman is a former chief financial officers of ours. Horst Pudwill, who is a former director of ours, owns a limited partnership interest in Marco Polo Industries Co., Ltd.

SERIES B FINANCING

On December 23, 1997, April 24, 1998 and September 1, 1998, we issued and sold a total of 2,084,281 shares of our Series B preferred stock at a purchase price of $4.26 per share. We also issued warrants to purchase a total of 861,710 shares of common stock at an exercise price of $4.26 per share on or prior to December 31, 2002 or April 24, 2003, depending on their date of issuance. In addition, on December 23, 1997, our subsidiary NWT issued 213,614 shares of its Series B preferred stock at a purchase price of $4.26 per share. These NWT shares are exchangeable on a one-for-one basis for shares of our Series B preferred stock, which will automatically convert into shares of our common stock immediately prior to the completion of this offering.

Of the 2,297,895 shares of Series B preferred stock that each of Novatel Wireless and NWT issued and sold, a total of 1,659,042 shares of Series B preferred stock and warrants to purchase a total of 622,141 of common stock were issued and sold to the following executive officers, directors and greater than 5% stockholders of Novatel Wireless and persons associated with them:

PURCHASER	NUMBER OF SHARES	NUMBER OF WARRANTS	TOTAL PURCHASE PRICE
GSM Capital Limited Partnership	1,027,523	385,321	$4,377,248
Working Ventures Canadian Fund, Inc.	213,614	80,105	909,996
Bank of Montreal Capital Corporation	176,793	66,297	753,138
Steven Sherman	117,371	44,014	500,000
Marco Polo Industries Co., Limited	58,685	22,007	249,998
Sherman Capital Group, LLC	35,000	13,125	149,100
Ventures West Investments Limited	26,519	9,945	112,971
Sam Znaimer	3,537	1,327	15,068

Steven Sherman, who serves on our board of directors, is the managing member of Sherman Capital Group, LLC.

SERIES A FINANCING

Between August 26, 1996, and December 11, 1997, we issued and sold a total of 2,263,857 shares of our Series A preferred stock at a purchase price of $2.13 per share. In addition, during that period our subsidiary NWT issued a total of 1,251,798 shares of its Series A preferred stock at a purchase price of $2.13 per share. These NWT shares are exchangeable on a one-for-one basis for shares of our Series A preferred stock, which will automatically convert into shares of our common stock immediately prior to the completion of this offering.

Of the 3,515,655 shares of Series A preferred stock that we and NWT issued and sold a total of 3,438,016 shares were issued and sold to the following executive officers, directors and greater than 5% stockholders of our company and persons affiliated with them.

PURCHASER	NUMBER OF SHARES	TOTAL PURCHASE PRICE
Working Ventures Canadian Fund, Inc.	1,251,798	$2,666,330
Bank of Montreal Capital Corporation	625,947	1,333,267
Digital Media & Communications Limited Partnership	563,265	1,199,754
GSM Capital Limited Partnership	288,534	614,577
Golden Gate Development & Investment Limited	234,375	499,219
Advent Israel Limited Partnership	160,800	342,504
Steven Sherman	108,010	230,061
Ventures West Investments Limited	93,895	199,996
Advent Partners Limited Partnership	77,040	164,095
Advent Israel (Bermuda) Limited Partnership	19,680	41,918
Sam Znaimer	12,512	26,651
ARGC, LLC	2,160	4,601

We believe that each transaction set forth above was made on terms no less favorable to us than we could have obtained from unaffiliated third parties. All future transactions, including loans, if any, between us and our officers, directors and principal stockholders and their affiliates and any transaction between us and any entity with which our officers, directors or greater than 5% stockholders are affiliated will be approved by a majority of the members of the board of directors, including a majority of the independent and disinterested outside members of our board of directors and will be on terms no less favorable to us than we could obtain from unaffiliated third parties.

RELATIONSHIPS WITH OFFICERS AND DIRECTORS

In June 1998 we entered into a consulting services agreement with one of our directors, Steven Sherman. Pursuant to the agreement, Mr. Sherman agreed to serve us as a special consultant for strategic business development in return for monthly compensation in the amount of $7,000. In October 1999, this agreement was terminated.

PRINCIPAL STOCKHOLDERS

The following table sets forth information regarding the beneficial ownership of our common stock as of July 25, 2000, and as adjusted for this offering, by:

- each person or entity whom we know beneficially to own more than 5% of our outstanding stock;
- each of our directors and named executive officers; and
- all directors and executive officers as a group.

Each stockholder's percentage ownership in the following table prior to the offering is based on 14,838,566 shares of common stock outstanding as of July 25, 2000. For purposes of calculating each stockholder's percentage ownership, all options and warrants exercisable within 60 days of July 25, 2000 held by the particular stockholder and that are included in the first column are treated as outstanding shares, but are not deemed outstanding for computing the percentage ownership of any other person. The numbers shown in the table below assume no exercise by the underwriters of their over-allotment option.

Except as otherwise noted, the principal address of each person listed in the table below is c/o Novatel Wireless, Inc., 9360 Towne Centre Drive, Suite 110, San Diego, CA 92121. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and includes voting and investment power with respect to shares. To our knowledge, except under applicable community property laws or as otherwise indicated, the persons named in the table have sole voting and sole investment control with respect to all shares beneficially owned.

NAME AND ADDRESS OF BENEFICIAL OWNER	NUMBER OF SHARES BENEFICIALLY OWNED	PERCENTAGE OF SHARES BENEFICIALLY OWNED	
		PRIOR TO THE OFFERING	AFTER THE OFFERING
Cornerstone Equity Investors LLC(1)..... 717 Fifth Avenue, Suite 1100 New York, NY 10022.	2,506,099	16.43%	
Robert Getz(1).....	2,506,099	16.43	
Marc Rossi(1).....	2,506,099	16.43	
Entities affiliated with Argo Global Capital, Inc.(2)..... Lynnfield Woods Office Park 210 Broadway, Suite 101 Lynnfield, MA 01949	2,463,750	15.69	
Bernice Bradin(2).....	2,463,750	15.69	
H.H. Haight(2).....	2,463,750	15.69	
Working Ventures Canadian Fund, Inc.(3)..... 250 Bloor Street, East Suite 1600 Toronto, Ontario CANADA M4W 1E6	1,927,504	12.70	
Nathan Gibb(3).....	*	*	
Steven Sherman(4).....	1,874,915	12.57	
Entities affiliated with Ventures West Capital Limited(5)..... 1285 West Pender Street, Suite 280 Vancouver, British Columbia CANADA V6E 4B1	1,572,272	10.30	
Aether Capital, LLC(6)..... 11460 Cronridge Drive Owings Mills, MD	1,391,304	9.23	
Entities affiliated with Advent International Corporation(7)..... 75 State Street, 29th Floor Boston, MA 02109	1,273,702	8.48	

NAME AND ADDRESS OF BENEFICIAL OWNER	NUMBER OF SHARES BENEFICIALLY OWNED	PERCENTAGE OF SHARES BENEFICIALLY OWNED	
		PRIOR TO THE OFFERING	AFTER THE OFFERING
Marco Polo Industries Co., Ltd.(8)..... 1806, 18F, Central Plaza 18 Harbour Road Wanchai, Hong Kong Hong Kong	1,164,091	7.76	
Ambrose Tam(9).....	576,450	3.88	
John Major(10).....	354,263	2.36	
Bruce Gray(11).....	10,000	*	
Melvin Flowers.....	*	*	
Steven Schlief.....	*	*	
All directors and executive officers as a group (persons).....	11,104,285	65.49	

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* Less than one percent of the outstanding shares of our common stock.

(1) Represents 2,088,416 shares of common stock and warrants to purchase 417,683 shares of common stock. Each of Messrs. Rossi and Getz disclaims beneficial ownership of these securities except to the extent of his pecuniary interest.

(2) Represents 1,602,400 shares of common stock and warrants to purchase 861,350 shares of common stock. Each of Mr. Haight and Ms. Bradin disclaims beneficial ownership of these securities except to the extent of his or her pecuniary interest.

(3) Represents 1,585,805 shares of common stock and warrants to purchase 341,699 shares of common stock held of record by Working Ventures Canadian Fund. Mr. Gibb disclaims beneficial ownership of these securities except to the extent of his pecuniary interest.

(4) Represents 1,795,276 shares of common stock, warrants to purchase 57,139 shares of common stock and options to purchase 22,500 shares of common stock which are vested and immediately exercisable.

(5) Represents 1,152,318 shares of common stock and warrants to purchase 419,954 share of common stock.

(6) Represents 1,159,420 shares of common stock and warrants to purchase 231,884 shares of common stock.

(7) Represents 1,098,828 shares of common stock and warrants to purchase 174,874 shares of common stock.

(8) Represents 993,099 shares of common stock and warrants to purchase 170,992 shares of common stock. Mr. Pudwill, a former director of our company, owns a limited partnership interest in Marco Polo Industries Co., Ltd. and disclaims beneficial ownership of these securities except to the extent of his pecuniary interest.

(9) Represents 553,950 shares of common stock and options to purchase 22,500 shares of our common stock which are vested and immediately exercisable.

(10) Represents 202,436 shares of common stock issuable upon exercise of immediately exercisable options and 151,827 shares of common stock issuable upon the exercise of options which may become exercisable before December 31, 2000.

(11) Represents options to purchase 10,000 shares of common stock which are vested and immediately exercisable.

DESCRIPTION OF SECURITIES

Upon the completion of this offering, we will be authorized to issue up to 350,000,000 shares of common stock, $0.001 par value per share, and up to 15 million shares of undesignated preferred stock, $0.001 par value per share. All shares of preferred stock currently outstanding will be converted into shares of common stock upon the completion of this offering. As of July 15, 2000, assuming conversion of all outstanding shares of preferred stock (including shares converted into preferred stock in the NWT Exchange) into common stock and no exercise of the underwriters' overallotment option, there were outstanding 14,838,566 shares of our common stock, warrants to purchase 3,539,305 shares of common stock, and options to purchase 2,900,731 shares of common stock.

The following description of our securities does not purport to be complete and is subject to and qualified by our amended and restated certificate of incorporation and by our amended and restated bylaws, each of which is included as an exhibit to the registration statement of which this prospectus forms a part, and by the provisions of applicable Delaware law.

COMMON STOCK

As of July 25, 2000, we had 70 holders of record of our common stock, assuming both the conversion exchange of all outstanding shares of our preferred stock and the NWT Exchange. There will be shares of common stock outstanding after giving effect to this offering assuming no exercise of the underwriter's overallotment option or exercise of outstanding options under our stock option plans after July 25, 2000.

The holders of our common stock are entitled to one vote for each share held of record on each matter submitted to a vote of our stockholders. Subject to preferences that may be applicable to any outstanding preferred stock, holders of our common stock are entitled to receive ratably such dividends as may be declared by our board of directors from funds legally available for that purpose. See "Dividend Policy." In the event of our liquidation, dissolution or winding up, the holders of our common stock are entitled to share ratably in all assets remaining after payment of liabilities and subject to the prior distribution rights of any outstanding preferred stock. Our common stock carries no preemptive or conversion rights or other subscription rights and there are no redemption or sinking fund provisions applicable to it. The outstanding shares of common stock are, and the shares of common stock to be issued upon completion of this offering will be, duly authorized, validly issued, fully paid and non-assessable.

PREFERRED STOCK

Our board of directors has the authority, without the need for further action by our stockholders, to issue any or all our authorized but unissued shares of preferred stock in one or more series. Our board of directors also has the authority to designate the rights, preferences, privileges and restrictions of each such series, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences and the number of shares constituting any series. Any series of preferred stock may possess voting, dividend, liquidation and redemption rights superior to those of our common stock.

The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of entrenching our board of directors or of delaying, deferring or preventing a third party from acquiring a majority of our outstanding voting stock. The issuance of preferred stock with voting or conversion rights may also adversely affect the voting power of the holders of our common stock. In certain circumstances, an issuance of preferred stock could have the effect of decreasing the market price of shares of our common stock and delaying or preventing a change of control. As of the closing of the offering, no shares of preferred stock will be outstanding. We currently have no plans to issue any shares of, or designate any series of, our preferred stock.

WARRANTS

As of July 25, 2000, there were warrants outstanding to purchase a total of 3,539,305 shares of our common stock. The warrants to purchase shares of preferred stock that survive the closing of this offering will convert into warrants to purchase shares of our common stock on the closing of this offering on a one-for-one basis. Generally, each warrant contains provisions for the adjustment of its exercise price and the number of shares issuable upon its exercise upon the occurrence of any stock dividend, stock split, reorganization, reclassification, consolidation and certain dilutive issuances of securities at prices below the then existing applicable warrant exercise price. In addition, the shares of our common stock issuable upon any exercise of the warrants provide their holders with rights to have those shares registered and qualified under federal and state securities laws, as discussed more fully below. Some of these warrants have net exercise provisions under which the holder may, in lieu of payment of the exercise price in cash, surrender the warrant and receive a net amount of shares based on the fair market value of our common stock at the time of exercise of the warrant after deduction of the aggregate exercise price.

REGISTRATION RIGHTS

Upon completion of this offering, under an amended and restated registration rights agreement dated August 21, 1996, the holders of approximately 5,813,550 shares of our common stock and warrants to purchase approximately 944,156 shares of our common stock will be entitled to certain rights with respect to the registration of shares under the Securities Act. Under the terms of this agreement, if we propose to register any of our securities under the Securities Act, these holders are entitled to notice of the registration and are entitled to include shares of common stock in the registration. The rights are subject to conditions and limitations, among them the right of the underwriters of an offering to limit the number of shares included in the registration. At any time following 180 days after this offering and prior to five years after this offering, the holders of a majority of these securities may require us to file registration statements under the Securities Act with respect to their shares of common stock, and we are required to use our best efforts to effect the registrations, subject to conditions and limitations. Additionally, if any holder of these securities requests that we file a registration statement on Form S-3 when such form becomes available to us, we are required to effect such registration as long as the holders propose to sell such securities at an aggregate price to the public of not less than $500,000. Subject to the limitations contained in the agreement, we will be responsible for paying all registration expenses and the holders selling their shares will be responsible for paying all selling expenses.

In addition, upon completion of this offering, under an amended and restated investors' rights agreement dated June 30, 2000, the holders of approximately 5,638,327 shares of common stock and warrants to purchase up to approximately 2,690,879 shares of common stock will be entitled to certain rights with respect to the registration of shares under the Securities Act. If we propose to register any of our securities under the Securities Act, these holders are entitled to notice of the registration and are entitled to include shares of common stock in the registration. The rights are subject to conditions and limitations, among them the right of the underwriters of an offering to limit the number of shares included in the registration. At any time following the first anniversary of this offering, the holders of at least 33 1/3% of these securities may require that we file up to two registration statements under the Securities Act with respect to their shares of common stock, and we are required to use our best efforts to effect those registrations, subject to conditions and limitations. Additionally, if any holder of these securities requests that we to file a registration statement on Form S-3 when such form becomes available to us, we are required to effect such registration as long as the holders propose to sell such securities at an aggregate price to the public of not less than $1,000,000.

The registration rights granted in this amended and restated investors' rights agreement will expire on the third anniversary of this offering, or earlier with respect to a particular stockholder if that holder can resell all its securities in a three month period under Rule 144 of the Securities Act. Subject to the limitations contained in the amended and restated investors' rights agreement, we will be responsible for paying all registration expenses and the holders selling their shares will be responsible for paying all selling expenses.

DELAWARE ANTI-TAKEOVER LAW AND CHARTER AND BYLAW PROVISIONS

Certain provisions of Delaware law and our amended and restated certificate of incorporation and bylaws could make it more difficult for a third party to acquire us through a tender offer, a proxy contest or otherwise and the removal of incumbent officers and directors. These provisions are expected to discourage certain types of coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of us to negotiate with us first. We believe that the benefits of increased protection of our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us outweigh the disadvantages of discouraging such proposals because, among other things, negotiation of such proposals could result in an improvement of their terms.

Our amended and restated certificate of incorporation authorizes our board to establish one or more Series of undesignated preferred stock, the terms of which can be determined by our board at the time of issuance. Our amended and restated certificates of incorporation also provides that stockholder action can be taken only at an annual or special meeting of stockholders and may not be taken by written consent. In addition, our amended and restated certificate of incorporation and bylaws provide that special meetings of stockholders can be called only by our board of directors, the chairman of our board or our chief executive officer, but do not permit our stockholders to call a special meeting of stockholders. Our amended and restated certificate of incorporation also provides that our board of directors is divided into three classes, with each director assigned to a class with a term of three years, and that the number of directors may only be determined by our board of directors. Our bylaws establish an advance notice procedure with regard to stockholder proposals and the nomination of candidates for election of directors other than by or at the direction of our board of directors.

We are subject to Section 203 of the Delaware General Corporation Law, which includes anti-takeover provisions. In general, Section 203 prohibits a publicly-held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date that the person became an interested stockholder unless, subject to exceptions, the business combination or the transaction in which the person became an interested stockholder is approved in a prescribed manner. Generally, a "business combination" includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. Generally, an "interested stockholder" is a person who, together with affiliates and associates, owns, or within three years prior to the determination of interested stockholder status, did own, 15% or more of the corporation's voting stock. These provisions may have an anti-takeover effect, including discouraging attempts that might result in the payment of a premium over the market price for the shares of common stock held by stockholders, or delaying, deferring or preventing a change in control without further action by the stockholders.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for shares of our common stock is U.S. Stock Transfer Corporation. The Transfer Agent's address and telephone number is 1745 Gardena Avenue, Glendale, California 91204, (818) 502-1404.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering there has been no market for our common stock. Future sales of substantial amounts of common stock, including shares issuable upon the exercise of outstanding options and warrants, in the public market could adversely affect prevailing market prices. Sales of substantially all amounts of our common stock in the public market after contractual restrictions lapse could adversely affect the prevailing market price and our ability to raise equity capital in the future.

Upon completion of the offering, we will have outstanding shares of common stock, and if the underwriters exercise their overallotment option in full, which excludes:

- 2,900,731 shares of common stock that could be issued upon the exercise of options outstanding as of July 25, 2000;
- 3,539,305 shares of common stock that could be issued upon the exercise of warrants outstanding as of July 25, 2000;
- 1,099,269 shares of common stock that could be issued in the future under our stock option plans as of July 25, 2000;
- 500,000 shares of common stock that could be issued in the future under our 2000 employee stock purchase plan.

Of the outstanding shares, all the shares of common stock sold in this offering will be freely tradable without restriction under the Securities Act, except that shares purchased by our affiliates, as Rule 144 promulgated under the Securities Act defines that term, may be sold only in compliance with the limitations described below. The remaining 14,862,376 shares of common stock will be deemed "restricted securities" as defined under Rule 144. Restricted shares may be sold in the public market only if they are registered under the Securities Act or if they qualify for an exemption from registration under Rules 144 or 701 promulgated under the Securities Act, which we summarize below. Subject to the lock-up agreements described below and the provisions of Rules 144 and 701, shares will be available in the public market as follows:

NUMBER OF SHARES	DATE
	After the date of this prospectus, freely tradable shares sold in this offering and shares eligible for resale under Rule 144(k) that are not subject to the 180-day lock-up.
16,000,021	After 180 days from the date of this prospectus, the 180-day lock-up is released and these share are saleable under Rule 144 (subject, in some cases, to volume limitations).
1,341,232	After 180 days from the date of this prospectus, the 180-day lock-up is released and these share are saleable under Rule 701.
2,356,850	After 180 days from the date of this prospectus, restricted securities that are held for less than one year and are not yet saleable under Rule 144.

LOCK-UP AGREEMENTS WITH THE UNDERWRITERS

Each of our directors and officers and substantially all our security holders have signed lock-up agreements with the underwriters of this offering under which they have agreed not to offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for any shares of common stock, or publicly disclose the intention to make any such offer, sale, pledge or disposition, without the prior consent of Credit Suisse First Boston Corporation for a period of 180 days after the date of this prospectus, except any shares sold to the underwriters pursuant to the underwriting agreement or any shares acquired in the open market. See "Underwriting."

Credit Suisse First Boston Corporation may, in its sole discretion and at any time without notice, release some or all of these securities from these restrictions prior to the expiration of this 180-day period, although we are not aware of any current intention for them to do so.

RULE 144

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus, a person who has beneficially owned shares of our common stock for at least one year would be entitled to sell within any three-month period a number of shares that does not exceed the greater of 1% of the number of shares of our common stock then outstanding, which will equal approximately shares immediately after this offering; or the average weekly trading volume of the common stock on the Nasdaq National Market during the four calendar weeks preceding the filing with the Securities and Exchange Commission of a notice on Form 144 with respect to the proposed sale. Sales under Rule 144 are also subject to manner-of-sale provisions and notice requirements and to the availability of current public information about us.

RULE 144(K)

Under Rule 144(k), a person who has not been one of our affiliates at any time during the 90 days preceding a proposed disposition of the subject securities and who has beneficially owned the shares proposed to be sold for at least two years is entitled to sell those shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144. However, because substantially all shares that we have issued are subject to lock-up agreements, they will become eligible for re-sale only when the 180-day lock-up agreements expire. As a result, they may be sold 90 days after the offering only if the holder obtains our prior written consent.

RULE 701

Any of our employees, officers, directors or consultants who purchased his or her shares under a written compensatory plan or contract may be entitled to sell those shares in reliance on Rule 701. Rule 701 permits our affiliates to sell their Rule 701 shares under Rule 144 without complying with the holding period requirements of Rule 144. Rule 701 further provides that non-affiliates may sell these shares in reliance on Rule 144 without having to comply with the holding period, public information, volume limitation or notice provisions of Rule 144. Under this rule, all holders of Rule 701 shares are required to wait until 90 days after the date of this prospectus before selling those shares. However, because substantially all shares that we have issued under Rule 701 are subject to lock-up agreements, they will become eligible for sale only when the 180-day lock-up agreements expire. As a result, they may be sold 90 days after the offering only if the holder obtains our prior written consent.

REGISTRATION RIGHTS

Following this offering, under specified circumstances and subject to customary conditions, holders of approximately 15,086,912 shares of our common stock, including approximately 3,635,035 shares that may be acquired upon the exercise of warrants to purchase our common stock, will have registration rights with respect to their shares of common stock. These registration rights require us to register their shares of common stock under the Securities Act, and permit these holders to participate in any future registrations of our securities. If the holders of these registrable securities request that we register their shares, and if the registration is declared effective, these shares will become freely tradable without restriction under the Securities Act. Any sales of securities by these stockholders could have a material adverse effect on the trading price of our common stock. See "Description of Securities -- Registration Rights."

UNDERWRITING

Under the terms and subject to the conditions contained in an underwriting agreement dated , 2000, we have agreed to sell to the underwriters named below, for whom Credit Suisse First Boston Corporation, U.S. Bancorp Piper Jaffray Inc. and Banc of America Securities LLC are acting as representatives, the following respective numbers of shares of common stock:

UNDERWRITER	NUMBER OF SHARES
Credit Suisse First Boston Corporation.....	
U.S. Bancorp Piper Jaffray Inc.....	
Banc of America Securities LLC.....	
Total.....	

The underwriting agreement provides that the underwriters are obligated to purchase all the shares of common stock in the offering, if any are purchased, other than those shares covered by the over-allotment option described below. The underwriting agreement also provides that, if an underwriter defaults, the purchase commitments of non-defaulting underwriters may be increased or the offering of common stock may be terminated.

We have granted to the underwriters a 30-day option to purchase on a pro rata basis up to additional shares from us at the initial public offering price less the underwriting discounts and commissions. The option may be exercised only to cover any over-allotments of common stock.

The underwriters propose to offer the shares of common stock initially at the public offering price on the cover page of this prospectus and to selling group members at that price less a concession of $ per share. The underwriters and the selling group members may allow a discount of $ per share on sales to other broker/dealers. After the initial public offering, the public offering price and concession and discount to broker/dealers may be changed by the representatives.

The following table summarizes the compensation and estimated expenses we will pay.

	PER SHARE		TOTAL	
	WITHOUT OVER-ALLOTMENT	WITH OVER-ALLOTMENT	WITHOUT OVER-ALLOTMENT	WITH OVER-ALLOTMENT
Underwriting Discounts and Commissions paid by us.....	$	$	$	$
Expenses payable by us.....	$	$	$	$

The underwriters have informed us that they do not expect discretionary sales to exceed 5% of the shares of common stock being offered.

We have agreed that we will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the Securities and Exchange Commission a registration statement under the Securities Act relating to, any shares of our common stock or any securities convertible into or exchangeable or exercisable for any shares of our common stock, or publicly disclose the intention to make any such offer, sale, pledge, disposition or filing, without the prior written consent of Credit Suisse First Boston Corporation for a period of 180 days after the date of this prospectus, except issuances pursuant to the exercise of employee stock options outstanding on the date hereof.

Our officers and directors and each holder of shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock have agreed that they will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, enter into a transaction which would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our

common stock, whether any such aforementioned transaction is to be settled by delivery of our common stock or such other securities, in cash or otherwise, or publicly disclose the intention to make any such offer, sale, pledge or disposition, or to enter into any such transaction, swap, hedge or other arrangement, without, in each case, the prior written consent of Credit Suisse First Boston Corporation for a period of 180 days after the date of this prospectus.

The underwriters have reserved for sale, at the initial public offering price, up to shares of the common stock for employees, directors and certain other persons associated with us who have expressed an interest in purchasing common stock in the offering. The number of shares available for sale to the general public in the offering will be reduced to the extent such persons purchase such reserved shares. Any reserved shares not so purchased will be offered by the underwriters to the general public on the same terms as the other shares.

We have agreed to indemnify the underwriters against liabilities under the Securities Act, or contribute to payments which the underwriters may be required to make in that respect.

We have applied to list the shares of common stock on The Nasdaq Stock Market's National Market under the symbol "NVTL".

Prior to this offering, there has been no public market for our common stock. The initial public offering price will be determined by negotiation between us and the underwriters. The principal factors to be considered in determining the public offering price include the following:

- the information included in this prospectus and otherwise available to the representatives;
- market conditions for initial public offerings;
- the history and the prospects for the industry in which we compete;
- the ability of our management;
- the prospects for our future earnings;
- the present state of our business development and our current financial condition;
- the general condition of the securities markets at the time of this offering; and
- the recent market prices of, and the demand for, publicly traded common stock of generally comparable companies.

We cannot be sure that the initial public offering price will correspond to the price at which the common stock will trade in the public market following this offering or that an active trading market for the common stock will develop and continue after this offering.

U.S. Bancorp Piper Jaffray Inc. and its affiliates have provided financial services to us in the past for which they received customary compensation.

Prior to this offering, U.S. Bancorp Piper Jaffray Inc. participated in our private placement as placement agent in which it received warrants to purchase our common stock as compensation and its affiliates purchased our Series C preferred stock and warrants to purchase our common stock. In addition, U.S. Bancorp Piper Jaffray's affiliates purchased Series D preferred stock and warrants to purchase our common stock. U.S. Bancorp Piper Jaffray and its affiliates currently hold 18,585 shares of our Series C preferred stock, 9,563 shares of our Series D preferred stock and warrants to purchase 64,765 shares of our common stock. U.S. Bancorp Piper Jaffray and its affiliates are in compliance with section 2710 of the National Association of Securities Dealers Rules of Conduct regarding underwriter compensation.

In connection with the offering the underwriters may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions and penalty bids in accordance with Regulation M under the Securities Exchange Act of 1934.

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

- Over-allotment involves sales by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares over-allotted by the underwriters is not greater than the number of shares that they may purchase in the over-allotment option. In a naked short position, the number of shares involved is greater than the number of shares in the over-allotment option. The underwriters may close out any short position by either exercising their over-allotment option and/or purchasing shares in the open market.

- Syndicate covering transactions involve purchases of the common stock in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. If the underwriters sell more shares than could be covered by the over-allotment option -- a naked short position -- that position can only be closed out by buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.

- Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of the common stock or preventing or retarding a decline in the market price of the common stock. As a result the price of the common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on The Nasdaq National Market or otherwise and, if commenced, may be discontinued at any time.

A prospectus in electronic format may be made available on the web sites maintained by one or more of the underwriters participating in this offering. The representatives may agree to allocate a number of shares to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the underwriters that will make internet distributions on the same basis as other allocations.

NOTICE TO CANADIAN RESIDENTS

RESALE RESTRICTIONS

The distribution of the common stock in Canada is being made only on a private placement basis exempt from the requirement that we prepare and file a prospectus with the securities regulatory authorities in each province where trades of the common stock are effected. Accordingly, any resale of the common stock in Canada must be made in accordance with applicable securities laws which will vary depending on the relevant jurisdiction, and which may require resales to be made in accordance with available statutory exemptions or pursuant to a discretionary exemption granted by the applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of the common stock.

REPRESENTATIONS OF PURCHASERS

Each purchaser of common stock in Canada who receives a purchase confirmation will be deemed to represent to us and the dealer from whom such purchase confirmation is received that: (i) such purchaser is entitled under applicable provincial securities laws to purchase such common stock without the benefit of a prospectus qualified under such securities laws, (ii) where required by law, such purchaser is purchasing as a principal and not as an agent, and (iii) such purchaser has reviewed the text above under "Resale Restrictions."

RIGHTS OF ACTION (ONTARIO PURCHASERS)

The securities being offered are those of a foreign issuer and Ontario purchasers will not receive the contractual right of action prescribed by Ontario securities law. As a result, Ontario purchasers must rely on other remedies that may be available, including common law rights of action for damages or rescission or rights of action under the civil liability provisions of the U.S. federal securities laws.

ENFORCEMENT OF LEGAL RIGHTS

All the issuer's directors and officers as well as the experts we name herein may be located outside Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon the issuer or such persons. All or a substantial portion of the assets of the issuer and such persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against the issuer or such persons in Canada or to enforce a judgment obtained in Canadian courts against such issuer or persons outside of Canada.

NOTICE TO BRITISH COLUMBIA RESIDENTS

A purchaser of common stock to whom the Securities Act (British Columbia) applies is advised that such purchaser is required to file with the British Columbia Securities Commission a report within ten days of the sale of any common stock acquired by such purchaser pursuant to this offering. Such report must be in the form attached to British Columbia Securities Commission Blanket Order BOR #95/17, a copy of which may be obtained from us. Only one such report must be filed in respect of common stock acquired on the same date and under the same prospectus exemption.

TAXATION AND ELIGIBILITY FOR INVESTMENT

Canadian purchasers of common stock should consult their own legal and tax advisors with respect to the tax consequences in their particular circumstances of an investment in our common stock and with respect to the eligibility of our common stock for investment by the purchaser under relevant Canadian legislation.

LEGAL MATTERS

The validity of the common stock offered hereby will be passed upon for us by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California. Orrick, Herrington & Sutcliffe LLP owns a total of 5,797 shares of our preferred stock and warrants to purchase 1,159 shares of our common stock. Individuals who are partners of Orrick, Herrington & Sutcliffe LLP own 3,797 shares of our preferred stock and warrants to purchase 751 shares of our common stock. Certain legal matters in connection with this offering will be passed upon for the underwriters by Latham & Watkins, Los Angeles, California.

EXPERTS

The consolidated balance sheets as of December 31, 1999 and 1998, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 1999 included in the prospectus and elsewhere in the registration statement

have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their report with respect thereto, and are included herein in reliance upon the authority of such firm as experts in accounting and auditing in giving said report.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the Securities and Exchange Commission a registration statement on Form S-1 under the Securities Act with respect to the common stock offered by this prospectus. This prospectus does not contain all the information set forth in the registration statement and its exhibits and schedules. For further information about us and our common stock, we refer you to the registration statement and to its exhibits and schedules. Statements made in this prospectus concerning the contents of any document referred to in this prospectus are not necessarily complete. With respect to each such document filed as an exhibit to the registration statement, we refer you to the exhibit for a more complete description of the matter involved. Each statement in this prospectus relating to a contract or document filed as an exhibit to the registration statement is qualified in all respects by the filed exhibit. You may read or obtain a copy of the registration statement with exhibits at the SEC's public reference room located at 450 Fifth Street, N.W., Washington, DC 20549. You may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0300. The SEC maintains a Web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. The address of the site is http://www.sec.gov.

As a result of the offering, the information and reporting requirements of the Securities Exchange Act of 1934, as amended, will apply to us. We will fulfill our obligations with respect to those requirements by filing periodic reports and other information with the SEC. We intend to furnish our stockholders with annual reports containing consolidated financial statements certified by an independent public accounting firm.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

The information required by the applicable financial statement schedules has been disclosed in the financial statements and notes thereto and, accordingly, the schedules have been omitted.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Novatel Wireless, Inc.:

We have audited the accompanying consolidated balance sheets of Novatel Wireless, Inc. (a Delaware corporation) and Subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Novatel Wireless, Inc. and Subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

/s/ ARTHUR ANDERSEN LLP

San Diego, California
July 26, 2000

NOVATEL WIRELESS, INC.

CONSOLIDATED BALANCE SHEETS

	DECEMBER 31,		MARCH 31,	PRO FORMA STOCKHOLDERS' EQUITY
	1998	1999	2000	MARCH 31, 2000
			(UNAUDITED)	(UNAUDITED)
ASSETS				
Current assets:				
Cash and cash equivalents	$ 3,497,000	$ 25,455,000	$ 14,065,000	
Short-term investments	296,000	--	--	
Accounts receivable, net of reserve of $44,000 (1998), $181,000 (1999), and $212,000 (2000)	607,000	1,345,000	2,753,000	
Inventories	656,000	4,706,000	6,758,000	
Due from supplier	--	4,732,000	4,712,000	
Prepaid expenses and other	224,000	480,000	742,000	
Total current assets	5,280,000	36,718,000	29,030,000	
Property and equipment, net	904,000	1,346,000	2,280,000	
Intangible asset	--	--	225,000	
Other assets	--	54,000	138,000	
	$ 6,184,000	$ 38,118,000	$ 31,673,000	
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)				
Current liabilities:				
Accounts payable	$ 1,169,000	$ 11,560,000	$ 13,297,000	
Accrued expenses	728,000	1,174,000	1,531,000	
Deferred revenues	--	8,134,000	5,733,000	
Current portion of capital lease obligations	--	81,000	74,000	
Total current liabilities	1,897,000	20,949,000	20,635,000	
Capital lease obligations, net of current portion	--	106,000	89,000	
Convertible and redeemable minority interest	4,100,000	4,386,000	4,457,000	
Convertible and redeemable preferred stock, 4,348,138 (1998), 8,022,415 (1999 and 2000), and 0 (Pro Forma) shares issued and outstanding, at liquidation value, net of unamortized offering costs of $127,000 (1998), $2,875,000 (1999) and $2,729,000 (2000)	14,812,000	43,805,000	44,833,000	
Commitments and contingencies				
Stockholders' equity (deficit):				
Common stock, par value $.001, 26,500,000 shares authorized, 3,237,210 (1998), 3,250,960 (1999), 3,366,960 (2000) and 12,854,787 (Pro Forma) shares issued and outstanding	3,000	3,000	3,000	$ 13,000
Additional paid-in capital	782,000	4,791,000	5,131,000	54,411,000
Deferred stock compensation	(161,000)	(800,000)	(986,000)	(986,000)
Accumulated deficit	(15,249,000)	(35,122,000)	(42,489,000)	(42,489,000)
Total stockholders' equity (deficit)	(14,625,000)	(31,128,000)	(38,341,000)	$ 10,949,000
	$ 6,184,000	$ 38,118,000	$ 31,673,000	

See accompanying notes to consolidated financial statements.

NOVATEL WIRELESS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	YEAR ENDED DECEMBER 31,			QUARTER ENDED MARCH 31,	
	1997	1998	1999	1999	2000
				(UNAUDITED)	(UNAUDITED)
Revenue	$ 3,354,000	$ 5,378,000	$ 9,556,000	$ 1,273,000	$ 6,837,000
Cost of revenue	1,136,000	3,433,000	11,955,000	1,076,000	7,865,000
Gross margin	2,218,000	1,945,000	(2,399,000)	197,000	(1,028,000)
Operating costs and expenses:					
Research and development	2,715,000	2,333,000	3,717,000	457,000	2,076,000
Sales and marketing	2,058,000	2,685,000	4,480,000	391,000	2,319,000
General and administrative	1,944,000	2,611,000	4,663,000	878,000	1,066,000
	6,717,000	7,629,000	12,860,000	1,726,000	5,461,000
Operating loss	(4,499,000)	(5,684,000)	(15,259,000)	(1,529,000)	(6,489,000)
Other income (expense):					
Interest income	23,000	178,000	47,000	17,000	215,000
Interest expense	--	--	(3,267,000)	--	(11,000)
Other, net	--	--	10,000	(1,000)	17,000
Net loss	$(4,476,000)	$(5,506,000)	$(18,469,000)	$(1,513,000)	$(6,268,000)
Per share date (Note 14):					
Net loss applicable to common stockholders	$(4,979,000)	$(6,657,000)	$(19,873,000)	$(1,863,000)	$(7,367,000)
Weighted average shares used in computation of basic and diluted net loss per common share	3,237,210	3,237,210	3,242,807	3,237,210	3,339,998
Basic and diluted net loss per common share	$ (1.54)	$ (2.06)	$ (6.13)	$ (0.58)	$ (2.21)
Shares used in computation of pro forma basic and diluted net loss per share			9,066,423	9,050,760	12,827,825
Pro forma basic and diluted net loss per share			$ (2.19)	$ (0.21)	$ (0.57)

See accompanying notes to consolidated financial statements.

NOVATEL WIRELESS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	DEFERRED COMPENSATION	TOTAL STOCKHOLDERS' EQUITY (DEFICIT)
	SHARES	AMOUNT				
Balance, January 1, 1997	3,237,210	$3,000	$ 506,000	$ (3,613,000)	$ --	$ (3,104,000)
Accretion of dividends on minority interest in NWT	--	--	--	(189,000)	--	(189,000)
Accretion of dividends on convertible and redeemable preferred stock of NWI	--	--	--	(308,000)	--	(308,000)
Amortization of offering costs for convertible and redeemable preferred stock	--	--	--	(6,000)	--	(6,000)
Net loss	--	--	--	(4,476,000)	--	(4,476,000)
Balance, December 31, 1997	3,237,210	3,000	506,000	(8,592,000)	--	(8,083,000)
Deferred compensation for stock options issued	--	--	276,000	--	(276,000)	--
Amortization of deferred compensation	--	--	--	--	115,000	115,000
Accretion of dividends on minority interest in NWT	--	--	--	(273,000)	--	(273,000)
Accretion of dividends on convertible and redeemable preferred stock of NWI	--	--	--	(859,000)	--	(859,000)
Amortization of offering costs for convertible and redeemable preferred stock	--	--	--	(19,000)	--	(19,000)
Net loss	--	--	--	(5,506,000)	--	(5,506,000)
Balance, December 31, 1998	3,237,210	3,000	782,000	(15,249,000)	(161,000)	(14,625,000)
Additional paid-in capital from stock options exercised	13,750	--	30,000			30,000
Deferred compensation for stock options issued		--	859,000	--	(859,000)	--
Amortization of deferred compensation	--	--	--	--	220,000	220,000
Accretion of dividends on minority interest in NWT	--	--	--	(286,000)	--	(286,000)
Accretion of dividends on convertible and redeemable preferred stock of NWI	--	--	--	(1,096,000)	--	(1,096,000)
Amortization of offering costs for convertible and redeemable preferred stock	--	--	--	(22,000)	--	(22,000)
Imputed value of warrants issued with convertible subordinated debentures	--	--	3,120,000	--	--	3,120,000
Net loss				(18,469,000)		(18,469,000)
Balance, December 31, 1999	3,250,960	3,000	4,791,000	(35,122,000)	(800,000)	(31,128,000)
Additional paid-in capital from stock options exercised (unaudited)	116,000	--	45,000	--	--	45,000
Deferred compensation for stock options issued (unaudited)	--	--	295,000	--	(295,000)	--
Amortization of deferred compensation (unaudited)	--	--	--	--	109,000	109,000
Accretion of dividends on minority interest in NWT (unaudited)	--	--	--	(71,000)	--	(71,000)
Accretion of dividends on convertible and redeemable preferred stock of NWI (unaudited)	--	--	--	(882,000)	--	(882,000)
Amortization of offering costs for convertible and redeemable preferred stock (unaudited)	--	--	--	(146,000)	--	(146,000)
Net loss (unaudited)	--	--	--	(6,268,000)	--	(6,268,000)
Balance, March 31, 2000 (unaudited)	3,366,960	$3,000	$5,131,000	$(42,489,000)	$(986,000)	$(38,341,000)

See accompanying notes to consolidated financial statements.

NOVATEL WIRELESS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31,			QUARTER ENDED MARCH 31,	
	1997	1998	1999	1999	2000
				(UNAUDITED)	(UNAUDITED)
Operating activities:					
Net loss	$(4,476,000)	$(5,506,000)	$(18,469,000)	$(1,513,000)	$ (6,268,000)
Adjustments to reconcile net loss to net cash used in operating activities:					
Depreciation and amortization	462,000	442,000	672,000	89,000	200,000
Provision for bad debt	--	--	137,000	--	31,000
Compensation for stock options issued below fair value	--	115,000	220,000	69,000	109,000
Compensation for warrants issued in connection with convertible subordinated debentures	--	--	3,120,000	--	--
Changes in assets and liabilities:					
Accounts receivable	(56,000)	(214,000)	(875,000)	(391,000)	(1,439,000)
Due from supplier	--	--	(4,732,000)	--	20,000
Inventories	22,000	(226,000)	(4,050,000)	(102,000)	(2,052,000)
Prepaid expenses and other	(86,000)	(127,000)	(256,000)	(67,000)	(262,000)
Other assets	--	--	(54,000)	--	(84,000)
Accounts payable	544,000	332,000	10,391,000	179,000	1,737,000
Accrued expenses	78,000	156,000	576,000	(8,000)	357,000
Deferred revenues	--	--	8,134,000	--	(2,401,000)
Net cash used in operating activities	(3,512,000)	(5,028,000)	(5,186,000)	(1,744,000)	(10,052,000)
Investing activities:					
Purchases of property and equipment	(521,000)	(313,000)	(880,000)	(179,000)	(1,134,000)
Purchase of intangibles	--	--	--	--	(225,000)
Net change in short-term investments	(260,000)	(36,000)	296,000	296,000	--
Net cash (used in) provided by investing activities	(781,000)	(349,000)	(584,000)	117,000	(1,359,000)
Financing activities:					
Borrowings on promissory notes	500,000	--	--	--	--
Payments on promissory notes	(1,000,000)	(500,000)	--	--	--
Issuance of convertible and redeemable preferred stock	4,128,000	7,197,000	24,625,000	--	--
Issuance of convertible and redeemable minority interest shares	1,070,000	510,000	--	--	--
Proceeds from exercise of stock options	--	--	30,000	--	45,000
Proceeds from issuance of convertible subordinated debentures	--	--	3,120,000	--	--
Payments under capital lease obligation	--	--	(47,000)	--	(24,000)
Net cash provided by financing activities	4,698,000	7,207,000	27,728,000	--	21,000
Net increase (decrease) in cash and cash equivalents	405,000	1,830,000	21,958,000	(1,627,000)	(11,390,000)
Cash and cash equivalents, beginning of period	1,262,000	1,667,000	3,497,000	3,497,000	25,455,000
Cash and cash equivalents, end of period	$ 1,667,000	$ 3,497,000	$ 25,455,000	$ 1,870,000	$ 14,065,000
Supplemental disclosures of non-cash investing and financing activities:					
Conversion of convertible subordinated debentures and related accrued interest into Series C convertible and redeemable preferred stock	$ --	$ --	$ 3,250,000	$ --	$ --
Accretion of dividends on minority interest	(189,000)	(273,000)	(286,000)	(71,000)	(71,000)
Accretion of dividends on convertible and redeemable preferred stock	(308,000)	(859,000)	(1,096,000)	(274,000)	(882,000)
Amortization of offering costs for convertible and redeemable preferred stock	(6,000)	(19,000)	(22,000)	(5,000)	(146,000)
Deferred compensation for stock options issued	--	276,000	859,000	--	295,000
Property and equipment acquired under capital lease obligations	--	--	234,000	--	--
Supplemental disclosures of cash flows information:					
Cash paid during the period for:					
Interest	$ --	$ --	$ 7,000	$ --	$ 2,000
Income taxes	1,000	1,000	1,000	1,000	1,000

See accompanying notes to consolidated financial statements.

NOVATEL WIRELESS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1999
AND MARCH 31, 2000 (UNAUDITED)

1. THE COMPANY

Novatel Wireless, Inc., a Delaware corporation ("Novatel," "NWI," the "Company," or "we") is headquartered in San Diego, California. We are a provider of wireless data communications access solutions. We provide wireless data modems and enabling software for use with handheld computing devices and portable personal computers. We also provide wireless data modems that can be integrated into other devices for vertical OEM applications. Our products enable professionals and consumers to access enterprise networks and the Internet.

Prior to being established as an independent operating entity in April of 1996, the Company was formerly the Personal Communications Product Division of NovAtel Communications, a Canadian telecommunications company. The Company's subsidiaries include wholly owned Novatel Wireless Solutions, Inc., incorporated in Delaware, and fifty-percent owned Novatel Wireless Technologies Ltd. ("NWT"), incorporated in Alberta, Canada.

2. RISKS AND UNCERTAINTIES

Company Operations

The Company is subject to a number of risks and uncertainties associated with companies at a similar stage of maturity, has only a limited operating history and the revenue and income potential of the Company's business and market are unproven. Further, the market for wireless Internet products and services is relatively new and rapidly evolving both technologically and competitively.

The Company has experienced net losses in each year since its inception and had an accumulated deficit of $35.1 million at December 31, 1999 and $42.5 million (unaudited) at March 31, 2000. The Company incurred net losses of $4.5 million, $5.5 million, $18.5 million, $1.5 million (unaudited) and $6.3 million (unaudited) and negative cash flows from operations of $3.5 million, $5.0 million, $5.2 million, $1.7 million (unaudited) and $10.1 million (unaudited) for the years ended December 31, 1997, 1998 and 1999 and the quarters ended March 31, 1999 and 2000, respectively. The Company expects to continue to incur net losses for at least the next several quarters. While the Company is unable to predict accurately its future operating expenses, the Company currently expects these expenses to increase substantially, as it, among other things, expands its selling and marketing activities, increases its research and development efforts to upgrade its existing services and develop new services and technologies, upgrades its operational and financial systems, procedures and controls, and hires and trains additional personnel.

The Company will need to significantly increase its revenues to achieve and maintain profitability. If we fail to significantly increase our revenues, the Company will continue to experience losses indefinitely and, accordingly, the Company may be required to obtain additional financing in the future. Management believes that the Company's cash reserves including net proceeds from the Series D financing (see Note 3) will be sufficient to fund operations for at least the next twelve months.

Initial Public Offering

In April 2000, the Company's Board of Directors authorized management to file a registration statement with the Securities and Exchange Commission to permit the Company to offer shares of common stock to the public. In April 2000, the Company's Board of Directors authorized an increase in the capitalization of the Company to 350,000,000 shares of common stock, par value $.001 per share, and up to 15,000,000 shares of undesignated preferred stock, par value $.001 per share, upon the effective date of the Company's public offering. If the offering is consummated under terms presently anticipated, all

outstanding shares of convertible and redeemable preferred stock and minority interest shares outstanding at March 31, 2000 will convert into 9,487,827 shares of common stock. Unaudited pro forma stockholders' equity reflects the assumed conversion of the convertible and redeemable preferred stock and minority interest shares outstanding at March 31, 2000 into common stock.

3. RECENT FINANCINGS

Series D

In June and July of 2000, the Company issued 1,964,050 shares of Series D preferred stock to accredited investors in a private offering. Net proceeds from the financing amounted to approximately $33.6 million, or $17.25 per share, after offering costs of approximately $320,000. We also issued warrants to purchase a total of 392,800 shares of NWI common stock at an exercise price of $17.25 expiring June 30, 2005.

The Company amended its Certificate of Incorporation to authorize 2,600,000 shares of Series D Convertible Preferred Stock, par value $0.001.

Line of Credit Commitment

In July 2000, the Company entered into a commitment for credit facility with a bank, which will allow the Company to borrow up to the lesser of $10 million or 80% of eligible accounts receivable. This credit facility will bear interest at prime plus 1%, will be collateralized by substantially all assets of the Company and will expire in June 2001.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Novatel and its subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. Certain reclassifications have been made to amounts included in the prior years' financial statements to conform to the presentation for the year ended December 31, 1999.

Unaudited Interim Results

The accompanying balance sheet as of March 31, 2000, the statements of operations and cash flows for the three months ended March 31, 1999 and March 31, 2000 and the statement of stockholders' equity (deficit) for the three months ended March 31, 2000 are unaudited. The unaudited interim financial statements have been prepared on the same basis as the annual financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the Company's financial position and its results of operations and its cash flows for the three months ended March 31, 1999 and March 31, 2000. The financial data and other information disclosed in these notes to financial statements related to these periods are also unaudited. The results for the three months ended March 31, 2000 are not necessarily indicative of the results to be expected for the year ending December 31, 2000.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions. These estimates and

assumptions affect the reported amounts of assets, liabilities, revenues, expenses and disclosures of contingent assets and liabilities. Actual results could differ from these estimates.

Revenue Recognition

Revenues from product sales and services are recognized upon the later of transfer of title or upon shipment of the product to the customer and upon rendering services. Our customers include distributors, resellers and individual end users. We recognize contract research and development agreements when certain criteria stipulated under the terms of those agreements have been met. We record deferred revenue for cash payments received from customers in advance of the revenue recognition criteria being met.

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements." SAB No. 101 summarizes the SEC's views in applying generally accepted accounting principles to revenue recognition in financial statements. SAB No. 101 is effective during the fourth quarter of fiscal 2000. Management has reviewed and adopted the provisions of SAB No. 101 which did not have a material impact on the Company's financial position or results of operations.

Research and Development Costs

Research and development costs are expensed as incurred. To date, we have not incurred significant software development costs that would be capitalized in accordance with Statement of Financial Accounting Standards ("SFAS") No. 86, "Accounting for the Costs of Computer Software to Be Sold, Leased or Otherwise Marketed."

Warranty Costs

We accrue warranty costs based on our best estimates, with reference to our past experience.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with original maturities of three months or less. Cash and cash equivalents consist of money market and mutual funds and are carried at market, which approximates cost.

Short-Term Investments

From time to time, the Company invests its excess cash in U.S. government securities and debt instruments of financial institutions and corporations with strong credit ratings. The Company has established guidelines to diversify its short-term investments and their maturities to manage safety and liquidity. These guidelines are periodically reviewed and modified to take advantage of trends in yields and interest rates. The Company has not experienced any significant losses on its short-term investments.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market. The Company provides reserves against inventories which it believes to be excess or obsolete to state such inventories at realizable value.

Due from Supplier

Due from supplier represents amounts due from the Company's outsourced product manufacturer from the sale of materials inventories by the Company to the manufacturer. These sales represented a transfer of assets and were not recognized as revenues in the accompanying consolidated statements of operations.

Property and Equipment

Property and equipment are stated at cost and depreciated primarily using the straight-line method. Test equipment, computer equipment and software, furniture and fixtures and product tooling are depreciated over lives between one and five years and leasehold improvements are depreciated over the shorter of the related lease period or useful life.

Intangible Asset

Intangible asset consists of a non-exclusive and perpetual worldwide software product license. The Company capitalized the cost to acquire the license and will amortize the cost on a straight-line basis over the estimated useful life of the asset.

Long-Lived Assets

The Company continually evaluates the carrying value of the unamortized balances of its long-lived assets to determine whether any impairment of these assets has occurred or whether any revision to the related amortization periods should be made. This evaluation is based on management's projections of the undiscounted future cash flows associated with each asset. If management's evaluation were to indicate that the carrying values of these assets were impaired, such impairment would be recognized by a write down of the applicable asset to its estimated fair value and expensed through operations.

Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes," which requires the use of the liability method of accounting for deferred income taxes. Under this method, deferred income taxes are recorded to reflect the tax consequences on future years of temporary differences between the tax bases of assets and liabilities and their financial reporting amounts at each period end. If it is more likely than not that some portion or all of a deferred tax asset will not be realized, a valuation allowance is recognized.

Stock-Based Compensation

As permitted by SFAS No. 123, "Accounting for Stock-Based Compensation," the Company accounts for costs of stock-based employee compensation in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, the Company discloses the pro forma effect on net loss and related per share amounts as if the fair-value method prescribed by SFAS No. 123 had been used to account for its stock-based employee compensation. The Company accounts for equity instruments issued to non-employees in accordance with the provisions of SFAS No. 123 and related interpretations.

Computation of Net Loss Per Share

SFAS No. 128, "Earnings Per Share," requires companies to compute basic and diluted per share data for all periods for which a statement of operations is presented. Basic net loss per share is computed by dividing the net loss applicable to common stockholders by the weighted average number of common shares that were outstanding during the period. Diluted earnings per share is computed by giving effect to all potentially dilutive securities that were outstanding for the periods presented. Potentially dilutive securities consisting of options, warrants, convertible and redeemable minority interest and convertible and redeemable preferred stock were not considered in the calculation of diluted earnings per share as their impact would be antidilutive. For the periods presented, there is no difference between the basic and diluted net loss per share.

Pro forma net loss per share (unaudited) is computed by dividing net loss applicable to common stockholders by the weighted average number of common shares outstanding and the weighted average number of shares of convertible and redeemable preferred stock, including the minority interest shares, outstanding as if such shares were converted to common stock at the time of issuance.

Foreign Currency Translation

Monetary balance sheet accounts of the Company's Canadian subsidiary are translated from Canadian dollars into U.S. dollars at the exchange rate in effect at the balance sheet date, non-monetary balance sheet accounts are translated at historical rates and revenue and expense accounts are translated using an average exchange rate during the period of recognition. The functional currency of the Canadian subsidiary is the U.S. dollar, thus translation gains and losses are reflected in operations. Exchange gains and losses arising from transactions denominated in foreign currencies are recorded using the actual exchange differences on the date of the transaction and are reflected in operations.

Fair Value of Financial Instruments

The carrying amounts of the Company's financial instruments, primarily including cash, accounts receivable, accounts payable and accrued expenses approximate their fair value due to their short term nature. The Company performs credit evaluations of key customers and management believes it is not exposed to significant credit risk on its accounts receivable in excess of established reserves.

Comprehensive Income

SFAS No. 130, "Comprehensive Income," requires that all items recognized under accounting standards as components of comprehensive income be reported with the same prominence as other financial statements. The Company has no items requiring separate display of comprehensive income.

Segment Information

SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information," requires public companies to report financial and descriptive information about their reportable operating segments. The Company identifies its operating segments based on how management internally evaluates separate financial information, business activities and management responsibility. The Company believes it operates in a single business segment consisting of the development, manufacture and sale of wireless Internet products.

Recent Accounting Pronouncements

In 1998, the Financial Accounting Standards Board, ("FASB"), issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" and in June 1999 issued SFAS No. 137, "Accounting for Derivatives and Hedging Activities -- Deferral of the Effective Date of FASB Statement No. 133." Under SFAS No. 133, derivatives not meeting hedge criteria are recorded in the balance sheet as either an asset or liability measured at fair value and changes in fair value are recognized currently in earnings. The Company will be required to implement SFAS No. 133, as amended by SFAS No. 137, in fiscal 2001. The Company does not anticipate that the adoption of SFAS No. 133, as amended by SFAS No. 137, will have a material impact on its financial position or results of operations.

5. FINANCIAL STATEMENT DETAILS

Due from Supplier

Due from supplier represents amounts due from the Company's third party product manufacturer from the sale of materials inventories by the Company to the manufacturer. These sales represented a transfer of assets and were not recognized as revenues in the accompanying consolidated statements of operations. At December 31, 1999, the inventory amount sold to and due from supplier was $4.7 million. Subsequent to year-end, we received $4.5 million of this receivable from our supplier.

Inventories

Inventories consist of the following:

	DECEMBER 31,		MARCH 31,
	1998	1999	2000
			(UNAUDITED)
Finished goods	$656,000	$3,377,000	$ 4,063,000
Raw materials and components	--	1,942,000	3,645,000
	656,000	5,319,000	7,708,000
Less -- reserve for estimated excess and obsolescence	--	(613,000)	(950,000)
	$656,000	$4,706,000	$ 6,758,000

Property and Equipment

Property and equipment consists of the following:

	DECEMBER 31,		MARCH 31,
	1998	1999	2000
			(UNAUDITED)
Test equipment	$ 449,000	$ 650,000	$ 1,071,000
Computer equipment and purchased software	1,013,000	1,550,000	2,001,000
Furniture and fixtures	291,000	396,000	407,000
Product tooling	235,000	491,000	507,000
Leasehold improvements	--	15,000	250,000
	$ 1,988,000	3,102,000	4,236,000
Less -- accumulated depreciation and amortization	(1,084,000)	(1,756,000)	(1,956,000)
	$ 904,000	$ 1,346,000	$ 2,280,000

Depreciation expense was $462,000, $442,000, $672,000, $89,000 (unaudited) and $200,000 (unaudited) for the years ended December 31, 1997, 1998, 1999 and the quarters ended March 31, 1999 and 2000, respectively. At December 31, 1999, assets held under capital leases had a net book value of $190,000, net of accumulated amortization of $31,000.

Accrued Expenses

Accrued expenses consist of the following:

	DECEMBER 31,		MARCH 31,
	1998	1999	2000
			(UNAUDITED)
Sales taxes	$ 5,000	$ 346,000	$ 310,000
Payroll and related	80,000	430,000	739,000
Product warranty	244,000	236,000	347,000
Royalties	176,000	62,000	--
Other	223,000	100,000	135,000
	$728,000	$1,174,000	$1,531,000

6. LINE OF CREDIT

The Company has a line of credit agreement with a bank that allows the Company to borrow the lesser of $2.5 million, or 80%, of eligible accounts receivable balances plus 40% of raw materials and finished goods inventories, as defined in the agreement. The line of credit bears interest at prime rate plus 0.5% (9.0% at December 31, 1999), is collateralized by substantially all assets of the Company and expires during September 2000. In connection with this line of credit, 23,810 NWI warrants were granted to purchase shares of Series C convertible and redeemable preferred stock. As of December 31, 1999 and March 31, 2000 (unaudited), there were no borrowings outstanding under the line of credit. However, the Company was in violation of certain covenants defined in the line of credit agreement. The Company has obtained a waiver from the bank related to such covenant violations through March 31, 2000. (See Note 3)

7. CONVERTIBLE AND REDEEMABLE MINORITY INTEREST

Minority interest consists of 1,251,798 Series A convertible and redeemable preferred shares (Series A shares) and 213,614 Series B (Series B shares) convertible and redeemable preferred shares of NWT at December 31, 1998 and 1999.

In 1996, we issued 937,500 Series A shares to accredited investors in a private offering. Proceeds from the financing were approximately $1,997,000, or $2.13 per share.

In 1997, we issued 314,298 Series A shares to accredited investors in a private offering. Proceeds from the financing were approximately $669,000, or $2.13 per share. Additionally, we issued 93,896 Series B shares to accredited investors in a private offering. Proceeds from the financing were approximately $400,000, or $4.26 per share. In connection with this offering, we also issued warrants to purchase a total of 35,211 shares of NWT common stock at an exercise price of $4.26 on or prior to December 31, 2002.

In 1998, we issued 119,718 Series B shares to accredited investors in a private offering. Proceeds from the financing were approximately $510,000, or $4.26 per share. We also issued warrants to purchase a total of 44,894 shares of NWT common stock at an exercise price of $4.26 on or prior to April 24, 2003.

The NWT Series A shares are exchangeable at the option of the holder, on a 1:1 basis to NWI Series A preferred shares without the payment of any additional consideration any time after issuance but before August 21, 2002. The NWT Series B shares are exchangeable, at the option of the holder, on a 1:1 basis to NWI Series B preferred shares without the payment of any additional consideration any time after issuance but before December 23, 2003. In the event that NWI becomes listed on a public exchange, the Company has the right to require holders of the Series A and Series B shares to exchange all such shares into NWI Series A and NWI Series B shares. In the event that NWT becomes listed on a public exchange, merges or consolidates with or into another company or sells all or substantially all of its assets, these Series A and Series B shares would be automatically converted into NWT common shares, provided certain minimum proceeds requirements are met. Further, automatic conversion into NWT common shares for each Series would occur provided two-thirds of the preferred stockholders of that Series voted to convert.

NWT's preferred stockholders may elect, after August 21, 2000 for Series A preferred shares and after December 23, 2001 for Series B preferred shares, to have NWT redeem the shares provided that funds are legally available. After August 21, 2002 for Series A preferred shares and after December 23, 2003 for Series B preferred shares, NWT must redeem all of the outstanding preferred shares provided that funds are legally available. If funds legally available are not sufficient to redeem the total number of shares submitted for redemption, or those subject to mandatory redemption, those shares not redeemed will carry a dividend rate of 12%.

Each of NWT's preferred stockholders are entitled to receive, from funds legally available, a cumulative annual dividend of 8% per annum based on their respective purchase price upon any liquidation, dissolution or winding up of the affairs of NWT, redemption, or when declared by the Board of Directors provided that, upon optional or automatic conversion of the preferred shares, all accrued and unpaid dividends are forfeited. Dividends on these shares of $189,000, $273,000, $286,000, $71,000 (unaudited) and $71,000 (unaudited) for the years ended December 31, 1997, 1998 and 1999 and for the quarters ended March 31, 1999 and 2000, respectively, have been accrued and recorded in the accompanying consolidated financial statements.

8. CONVERTIBLE AND REDEEMABLE PREFERRED STOCK

The Company has three classes of convertible and redeemable preferred stock as follows.

	DECEMBER 31,		MARCH 31,
	1998	1999	2000
			(UNAUDITED)
Convertible and redeemable preferred stock, Series A, par value $.001, 5,500,000 shares authorized, 2,263,857 shares issued and outstanding.....	$ 5,472,000	$ 5,870,000	$ 5,969,000
Convertible and redeemable preferred stock, Series B, par value $.001, 2,500,000 shares authorized (161,747 are non-voting), 2,084,281 shares issued and outstanding.....	9,340,000	10,060,000	10,240,000
Convertible and redeemable preferred stock, Series C, par value $.001, 5,500,000 shares authorized, 3,674,277 shares issued and outstanding.....	--	27,875,000	28,624,000
	$14,812,000	$43,805,000	$44,833,000

In 1996, the Company issued 1,029,855 shares of Series A convertible and redeemable preferred stock (Series A) to accredited investors in a private offering. Proceeds from the financing were approximately $2,194,000, or $2.13 per share.

In 1997, the Company issued 1,234,002 shares of Series A preferred stock to accredited investors in a private offering. Proceeds from the financing were approximately $2,628,000, or $2.13 per share and related offering costs were approximately $83,000. Additionally, we issued 375,587 shares of Series B convertible and redeemable preferred stock (Series B) to accredited investors in a private offering. Proceeds from the financing were approximately $1,600,000, or $4.26 per share and related offering costs were approximately $17,000. We also issued warrants to purchase a total of 140,845 shares of NWI common stock at an exercise price of $4.26 on or prior to December 31, 2002.

In 1998, the Company issued 1,708,694 shares of Series B preferred stock to accredited investors in a private offering. Proceeds from the financing were approximately $7,279,000, or $4.26 per share and related offering costs were approximately $82,000. We also issued warrants to purchase a total of 640,760 shares of NWI common stock at an exercise price of $4.26 on or prior to December 31, 2004.

In December 1999, the Company issued 3,674,277 shares of Series C convertible and redeemable preferred stock (Series C) to accredited investors in a private offering at a price of $8.34 per share. Proceeds from the financing were approximately $27,875,000, including conversion of subordinated debentures of $3,120,000 and related accrued interest of $130,000 after deducting offering costs and underwriters' commissions of approximately $2,768,000.

Subject to adjustment under certain circumstances, the Series A, Series B, and Series C shares are convertible to NWI common shares on a 1:1 basis without the payment of additional consideration at the option of the holder at any time after issuance but before August 21, 2002 for Series A, before December 23, 2001 for Series B, and before June 30, 2001 for Series C. Automatic conversion occurs if:

a. NWI becomes listed on a public exchange with minimum net proceeds of $10 million and the offering price is not less than $4.26 per share for Series A, $7.50 per share for Series B, and $14.60 per share for Series C.

b. NWI sells all or substantially all of its assets, merges or consolidates into or with another corporation provided the portion of proceeds distributable are not less than $4.26 per share for Series A, $7.50 per share for Series B, and $14.60 per share for Series C.

c. Two-thirds of each Series of the preferred stockholders vote to convert.

Holders of the Series A, Series B and Series C shares may elect, after January 1, 2005 to have the Company redeem the shares, provided that funds are legally available. After January 1, 2005, the Company must redeem all of the outstanding preferred shares, provided that funds are legally available. If funds legally available are not sufficient to redeem the total number of shares submitted for redemption, or those subject to mandatory redemption, those shares not redeemed will carry a dividend rate of 12%.

The holders of the Series A, Series B and Series C shares are entitled to receive, from funds legally available, a cumulative annual dividend of 8% of the purchase price upon any liquidation, dissolution or winding up of the affairs of the Company, upon redemption, or when declared by the Board of Directors, provided that upon optional or automatic conversion of the preferred shares all accrued and unpaid dividends shall be forfeited. Dividends on these shares of $308,000, $859,000, $1,096,000, $274,000 (unaudited) and $882,000 (unaudited) for the years ended December 31, 1997, 1998 and 1999, and the quarters ended March 31, 1999 and 2000, respectively, have been accrued and recorded in the accompanying consolidated financial statements.

9. STOCKHOLDERS' EQUITY

During fiscal 1999, the Company amended its Certificate of Incorporation to change its authorized share capital. As a result, the Company is authorized to issue 26,500,000 shares of common stock, par value $.001; 5,500,000 shares of Series A convertible and redeemable preferred stock, par value $.001; 2,500,000 shares of Series B convertible and redeemable preferred stock (of which 161,747 are non-voting), par value $.001; and 5,500,000 shares of Series C convertible and redeemable preferred stock, par value $.001. With the exception of 18,788 outstanding shares of Series B convertible and redeemable preferred stock, all outstanding shares carry voting rights (see Note 3).

Convertible Subordinated Debentures

On June 24, 1999 and July 15, 1999, the Company issued convertible subordinated debentures to accredited investors in the total principal amount of $3,120,000 bearing interest at the rate of 8% per annum. The Company also issued warrants to purchase a total of 1,310,002 common shares of NWI and 250,000 common shares of NWT at an exercise price of $2.00 per share. Of these warrants, 1,550,207 expire on June 24, 2004 and 9,795 expire on July 15, 2004. Immediately upon the closing of the Series C preferred stock financing, the principal amount under convertible subordinated debentures and accrued interest of approximately $130,000 thereon converted into shares of Series C preferred stock at $8.34 per share.

Warrants

Since inception, NWI and NWT have issued warrants to purchase shares of NWI and NWT stock to various investors and lenders as approved by the Board of Directors.

A summary of warrant activity is as follows:

	DECEMBER 31,					
	1997		1998		1999	
	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
NWI WARRANTS						
Outstanding, beginning of year.....	--	--	140,845	$4.26	781,605	$4.26
Granted.....	140,845	$4.26	640,760	$4.26	2,050,025	$4.84
Outstanding, end of year.....	140,845	$4.26	781,605	$4.26	2,831,630	$4.68
NWT WARRANTS						
Outstanding, beginning of year.....	--		35,211	$4.26	80,105	$4.26
Granted.....	35,211	$4.26	44,894	$4.26	250,000	$2.00
Outstanding, end of year.....	35,211	$4.26	80,105	$4.26	330,105	$2.55

In connection with Series C financing in 1999 (see Note 8), the Company issued warrants to buy 716,213 common shares of the Company. These warrants may be exercised at $10.00 per share (for 706,357 warrants) and $8.34 per share (for 9,856 warrants) at any time up to December 31, 2004. The Company estimated the fair market value of these warrants at the date of issuance was nominal and, accordingly, no value has been assigned to them.

In connection with the convertible subordinated debenture transaction, the Company issued warrants to buy 1,310,002 common shares of NWI and 250,000 common shares of NWT. These warrants may be exercised at $2.00 per share. The Company estimated that the fair value of the warrants at the date of issuance was approximately $4.3 million as the exercise price per common share was less than deemed fair value per common share. Accordingly, the Company allocated the gross debenture proceeds of $3,120,000 toward the value of these warrants. This also resulted in non-cash interest expense totaling $3,120,000 in fiscal 1999 to accrete the debt discount (resulting from the allocation of proceeds to the warrant) from the time of debenture issuance to conversion to Series C.

In connection with line of credit financing (see Note 6), the Company issued warrants to buy 23,810 Series C convertible and redeemable preferred shares of the Company. These warrants may be exercised at $6.30 per share at any time up to expiration at December 31, 2004. The Company believes the fair value of these warrants at the date of issuance was nominal and, accordingly, no value has been assigned to them.

In connection with the Series B financing in 1997 and 1998 (see Note 8), NWI issued warrants to buy 140,845 and 640,760 common shares of NWI, respectively, and NWT issued warrants to buy 35,211 and 44,894 common shares of NWT, respectively. These warrants may be exercised at $4.26 per share at any time up to December 31, 2002 (for 176,056 of the warrants) and April 24, 2003 (for 685,654 of the warrants). The Company believes the fair market value of these warrants at the date of issuance was nominal and, accordingly, no value has been assigned to them.

Stock Option Plans

The Company's June 1997 stock option plan (the "1997 Plan") for employees authorizes the granting of options for up to 2,000,000 shares of the Company's common stock as of December 31, 1999. Generally, options are to be granted at prices equal to at least 100% of the fair value of the stock at the date of grant, expire not later than ten years from the date of grant and become exercisable ratably over a four-year period following the date of grant. From time to time, as approved by the Company's Board of Directors, options with differing terms have also been granted. The Plan provides that any shares issued come from the Company's authorized but unissued or reacquired common stock.

In July 2000 the Company's Board of Directors approved the 2000 Stock Incentive Plan (the "2000 Plan"). The Company will implement the 2000 Plan upon the effective date of an initial public offering (see Note 2). Options granted under the 2000 Plan generally vest on the same terms as the 1997 Plan and are exercisable for a period of ten years.

A summary of stock option activity is as follows:

	OPTIONS OUTSTANDING	OPTIONS AVAILABLE FOR GRANT	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE
Options authorized at inception (June 2, 1997).....	--	600,000	--
Granted.....	507,000	(507,000)	$2.16
Cancelled.....	(38,500)	38,500	$2.13
New authorized options.....	--	196,050	--
Options outstanding, December 31, 1997.....	468,500	327,550	$2.16
New authorized options.....	--	500,000	--
Granted.....	779,000	(779,000)	$2.51
Cancelled.....	(107,500)	107,500	$2.28
Options outstanding, December 31, 1998.....	1,140,000	156,050	$2.39
New authorized options.....	--	703,950	--
Granted.....	284,000	(284,000)	$2.86
Exercised.....	(13,750)		$2.13
Cancelled.....	(66,250)	66,250	$2.34
Options outstanding, December 31, 1999.....	1,344,000	642,250	$2.49
Granted (unaudited).....	125,000	(125,000)	$5.00
Exercised (unaudited).....	(116,000)	--	$ .39
Cancelled (unaudited).....	(28,000)	28,000	$2.31
Options outstanding, March 31, 2000 (unaudited).....	1,325,000	545,250	$2.91
Exercisable, December 31, 1997.....	1,667		$2.13
Exercisable, December 31, 1998.....	109,584		$1.94
Exercisable, December 31, 1999.....	442,584		$1.98
Exercisable, March 31, 2000 (unaudited).....	366,083		$2.58

Additional information relating to stock options outstanding and exercisable at December 31, 1999, summarized by exercise price is as follows:

	OUTSTANDING			EXERCISABLE	
	WEIGHTED AVERAGE			WEIGHTED AVERAGE	
EXERCISE PRICE PER SHARE	SHARES	LIFE (YEARS)	EXERCISE PRICE	SHARES	EXERCISE PRICE
$0.10	100,000	8.77	$0.10	100,000	$0.10
$2.13	303,250	7.00	2.13	157,001	2.13
$2.86	937,250	9.10	2.86	185,583	2.86
	1,340,500			442,584	

In 1998, the Company granted 100,000 options to an employee at $0.10 per share. On the grant date, the deemed fair value of a share of common stock was in excess of the exercise price. Accordingly, the Company has recognized gross deferred compensation of $276,000, of which $115,000 and $161,000 were recognized in 1998 and 1999, respectively.

In 1999, the Company issued 284,000 options at $2.86 per share to employees. On the grant dates the deemed fair value of a share of common stock was in excess of $2.86 per share. Accordingly, the

Company has recognized gross deferred compensation related to these grants of $859,000 of which $800,000 is unamortized as of December 31, 1999. This deferred charge will be amortized to expense over the four-year vesting period of these options.

Of the remaining 1,186,000 options granted through December 31, 1999, 507,000 and 679,000 were granted in 1997 and 1998, respectively. These options were granted at exercise prices which the Company believes approximated fair value at the date of grant.

In February 2000, the Company granted 125,000 additional stock options at $5.00 per share. In connection with this grant, the Company has recorded $295,000 (unaudited) of gross deferred stock compensation in the first quarter of fiscal 2000. The deferred compensation will be amortized over the four year vesting from the date of the grant.

As permitted, the Company has adopted the disclosure only provisions of SFAS No. 123. Accordingly, no compensation expense, except as specifically described above, has been recognized for the stock option plans. The fair value of these option grants were estimated on the date of grant using an option-pricing model with the following weighted-average assumptions: zero dividend yield; risk-free interest rates between 5.28% and 6.45%; and an expected life of five years. Had compensation expense been determined based on the fair value at the dates of grant for the years ended December 31, 1997, 1998, 1999 and for the quarters ended March 31, 1999 and 2000 consistent with the provisions of SFAS No. 123, the Company's net loss per share would have been reported as the pro forma amounts indicated below:

	YEAR ENDED DECEMBER 31,			QUARTER ENDED MARCH 31,	
	1997	1998	1999	1999	2000
				(UNAUDITED)	(UNAUDITED)
Net loss applicable to common stockholders, as reported....	$(4,979,000)	$(6,657,000)	$(19,873,000)	$(1,863,000)	$(7,367,000)
Net loss applicable to common stockholders, pro forma.....	$(5,031,000)	$(6,789,000)	$(20,201,000)	$(1,939,000)	$(7,556,000)
Net loss per share, as reported.....	$ (1.54)	$ (2.06)	$ (6.13)	$ (0.58)	$ (2.21)
Net loss per share, pro forma.....	$ (1.55)	$ (2.10)	$ (6.23)	$ (0.60)	$ (2.26)

The option pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. Option valuation models also require the input of highly subjective assumptions. Because the Company's employee stock-based compensations plans have characteristics significantly different from these of traded options and because changes in the subjective input assumptions can materially affect fair value estimates, the Company believes that existing option valuation models do not necessarily provide a reliable single measure of the fair value of awards from the plans.

Common Shares Reserved for Future Issuance

The Company has reserved shares of common stock as follows:

	DECEMBER 31, 1999	MARCH 31, 2000 (UNAUDITED)
Stock options outstanding	1,344,000	1,325,000
Stock options available for future grant	642,250	545,250
Conversion of:		
Series A NWI convertible and redeemable preferred stock	2,263,857	2,263,857
Series B NWI convertible and redeemable preferred stock	2,084,281	2,084,281
Series C NWI convertible and redeemable preferred stock	3,674,277	3,674,277
Series A NWT convertible and redeemable preferred stock	1,251,798	1,251,798
Series B NWT convertible and redeemable preferred stock	213,614	213,614
Stock warrants -- NWI	2,831,630	2,831,630
Stock warrants -- NWT	330,105	330,105
Total reserved shares for issuance of common stock	14,635,812	14,519,812

Employee Stock Purchase Plan

In July 2000, the Company's Board of Directors approved the 2000 Employee Stock Purchase Plan (ESPP), subject to stockholder approval. The Company will implement the ESPP upon the effective date of an initial public offering (see Note 2). The ESPP, subject to certain limitations, will permit eligible employees of the Company to purchase common stock through payroll deductions of up to 10% of their compensation. The Company has authorized the issuance of 500,000 shares of common stock under the ESPP, plus an automatic annual increase, to be added on the first day of the fiscal year beginning in 2001, equal to the lesser of (a) 0.5% of the outstanding shares on the last day of the prior fiscal year, (b) 90,000 shares, or such lesser number of shares as may determined by the Board in its sole discretion. If purchases of stock through the plan deplete this supply, we will limit, suspend or discontinue purchases under the plan until additional shares of stock are available.

10. INCOME TAXES

The Company's deferred tax assets and liabilities consist of the following:

	DECEMBER 31,	
	1998	1999
Current deferred taxes:		
Accounts receivable reserve	$ 18,000	$ 327,000
Accrued expenses	125,000	393,000
Other	--	183,000
Deferred tax asset -- current	143,000	903,000
Valuation allowance	(143,000)	(903,000)
Net current deferred taxes	--	--
Long-term deferred taxes:		
Depreciation and amortization	879,000	1,095,000
Research and development costs	205,000	205,000
Net operating loss and credit carryforwards	3,802,000	8,462,000
Deferred tax asset -- noncurrent	4,886,000	9,762,000
Valuation allowance	(4,886,000)	(9,762,000)
Net long-term deferred taxes	--	--
Net deferred income taxes	$ --	$ --

Management has established a valuation allowance against its net deferred tax assets due to the uncertainty surrounding the realization of such assets. At December 31, 1999 the Company has U.S. federal net operating loss carryforwards of approximately $13.6 million, which expire at various dates through 2020. The Company has California net operating loss carryforwards of approximately $8.2 million, which expire at various dates through 2004. In addition, the Company has state operating loss carryforwards of approximately $9.2 million, which expire at various dates through 2006. The Company's use of net operating loss carryforwards in future years will be substantially limited due to previous ownership changes as defined under Internal Revenue Code section 382.

The provision for income taxes reconciles to the amount computed by applying the statutory federal income tax rate to income before provision for income taxes as follows:

	YEAR ENDED DECEMBER 31,			QUARTER ENDED
	1997	1998	1999	MARCH 31, 2000
				(UNAUDITED)
Federal tax provision, at statutory rate	$(1,567,000)	$(1,927,000)	$(6,464,000)	$(1,991,000)
State tax, net of federal benefit	(42,000)	(195,000)	(543,000)	(167,000)
Change in valuation allowance	1,602,000	2,069,000	5,636,000	2,135,000
Interest expense on convertible subordinated debentures	--	--	1,279,000	--
Other	7,000	53,000	92,000	23,000
	$ --	$ --	$ --	$ --

11. COMMITMENTS AND CONTINGENCIES

Operating and Capital Leases

The Company leases its office space and certain equipment under non-cancelable operating and capital leases. Rental expense under operating leases in fiscal 1997, 1998 and 1999 was approximately $327,000, $370,000 and $517,000, respectively. The minimum future lease payments under non-cancelable operating leases and future minimum capital lease payments as of December 31, 1999 are:

	OPERATING	CAPITAL
2000	$1,053,000	$108,000
2001	1,104,000	76,000
2002	826,000	24,000
2003	742,000	19,000
2004	759,000	13,000
Thereafter	87,000	--
Total minimum lease payments	$4,571,000	240,000
Less -- amount representing interest (at rates ranging from 9.9% to 20.1%)		(53,000)
Present value of net minimum lease payments		187,000
Less -- current installments of obligations under capital leases		(81,000)
Obligations under capital leases, excluding current installments		$106,000

Royalties

The Company is required to pay quarterly royalties for its products shipped with CDPD technology. The Company incurred royalty expenses of $27,000, $136,000 and $353,000 in fiscal 1997, 1998 and 1999, respectively.

Employment Agreements

The Company has entered into an employment agreement with its President and Chief Operating Officer that provides for compensation in the event of termination of employment of 250,000 Canadian dollars (approximately $168,000 at December 31, 1999) or 125,000 Canadian dollars (approximately $84,000 at December 31, 1999) in the event of resignation within 30 days of a change in control of the Company, plus continuation of certain benefits and pro rata payment of incentive bonuses. The Company has also entered into an employment agreement with its Chief Executive Officer that provides for a lump sum payment equivalent to annual base salary and certain additional benefits upon termination without cause or upon a change in control of the Company. Employment agreements with certain other key employees provide for six months salary payment in the event of termination without cause.

Legal Matters

The Company is party to various legal matters and subject to claims in the ordinary course of business. In the opinion of management, such matters will not have a material adverse impact on the Company's financial position or results of operations.

12. SEGMENT INFORMATION AND CONCENTRATIONS OF RISK

Segment Information

The Company operates in the wireless data modem technology industry and all sales of the Company's products and services are made in this segment. Management makes decisions about allocating resources based on this one operating segment.

The Company has operations in the United States and Canada. The distribution of the Company's assets in the United States and Canada as of December 31, 1998, December 31, 1999, and March 31, 2000 are $3.5 million and $2.7 million, $27.4 million and $10.7 million, and $21.4 and $10.3 million, respectively.

Concentrations of Risk

Two customers accounted for 23% and 14%, respectively, of 1999 revenues. No customer accounts for more than 10% of 1998 revenues and one customer accounts for 19% of 1997 revenues. Substantially all of the Company's revenues come from wireless Internet products. Any decline in market acceptance of the Company's products may impair the Company's ability to operate effectively.

The Company currently outsources substantially all of its manufacturing operations to a single third party. This outsource manufacturer provides the Company with procurement, manufacturing, assembly, test, quality control and delivery services. Subsequent to December 31, 1999, the Company has entered into a manufacturing agreement with another vendor, but manufacturing activities have not begun with this new vendor. If there were disruptions to, or terminations of, the Company's outsourced manufacturing relationships, the Company's financial position and results of operations would be materially adversely effected.

13. RETIREMENT SAVINGS PLAN

The Company has a defined contribution 401(k) retirement savings plan (the "Plan"). Substantially all of the Company's U.S. employees are eligible to participate in the Plan after meeting certain minimum age and service requirements. Employees may make discretionary contributions to the Plan subject to Internal Revenue Service limitations. As of December 31, 1999, there are no provisions for employer contributions to the Plan. Participants are fully vested in all contributions to the Plan.

14. UNAUDITED PRO FORMA NET LOSS PER COMMON SHARE AND PRO FORMA STOCKHOLDERS' EQUITY (DEFICIT)

Upon the closing of the Company's initial public offering, all outstanding NWI Series A, B and C convertible and redeemable preferred stock will be converted into NWI common stock. In addition, the NWT Series A and B will be exchanged and converted into NWI common stock with the initial public offering. The pro forma effect of this conversion has been presented as a separate column in the accompanying balance sheet.

Pro forma basic and diluted net loss per share have been computed to give effect to common equivalent shares from convertible and redeemable preferred stock and minority interest shares that will convert upon the closing of the Company's initial public offering (using the as-if-converted method) for the year ended December 31, 1999 and the quarters ended March 31, 1999 and 2000.

A reconciliation of the numerator and denominator used in the calculation of pro forma basic and diluted net loss per common share follows (in thousands, except per share data):

	YEAR ENDED DECEMBER 31,			QUARTER ENDED MARCH 31,	
	1997	1998	1999	1999	2000
				(UNAUDITED)	(UNAUDITED)
Net loss	$(4,476,000)	$(5,506,000)	$(18,469,000)	$(1,513,000)	$(6,268,000)
Adjustments to net loss used in computing basic and diluted net loss applicable to common stockholders:					
Accretion of dividends on minority interest	(189,000)	(273,000)	(286,000)	(71,000)	(71,000)
Accretion of dividends on convertible and redeemable preferred stock	(308,000)	(859,000)	(1,096,000)	(274,000)	(882,000)
Amortization of offering costs for convertible and redeemable preferred stock	(6,000)	(19,000)	(22,000)	(5,000)	(146,000)
Net loss applicable to common stockholders	$(4,979,000)	$(6,657,000)	$(19,873,000)	$(1,863,000)	$(7,367,000)
Denominator:					
Weighted average common shares outstanding			3,242,807	3,237,210	3,339,998
Adjustments to reflect assumed conversion of convertible and redeemable preferred stock and warrants from the date of issuance:					
Series A NWI			2,263,857	2,263,857	2,263,857
Series B NWI			2,084,281	2,084,281	2,084,281
Series C NWI			10,066	--	3,674,277
Class A NWT			1,251,798	1,251,798	1,251,798
Class B NWT			213,614	213,614	213,614
Weighted average shares used in computing pro forma basic and diluted net loss per share			9,066,423	9,050,760	12,827,825

The inside back cover contains a diagram showing the relationship and architecture of our product line to the Internet through wireless networks.

[NOVATEL LOGO]

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable by us in connection with the sale of common stock being registered. All amounts are estimates except the SEC registration fee and the NASD filing fee and the Nasdaq National Market listing fee.

	AMOUNT TO BE PAID
SEC registration fee	$ 27,720
NASD filing fee	11,000
Nasdaq National Market listing fee	*
Printing and engraving expenses	200,000
Legal fees and expenses	500,000
Accounting fees and expenses	250,000
Blue Sky qualification fees and expenses	25,000
Transfer Agent and Registrar fees	15,000
Miscellaneous fees and expenses	50,000
Total	$ *

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* To be provided by amendment

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 145 of the Delaware General Corporation Law authorizes a court to award, or a corporation's board of directors to grant, indemnification to directors and officers in terms sufficiently broad to permit such indemnification under some circumstances for liabilities (including reimbursement for expenses incurred) arising under the Securities Act of 1933, as amended (the Securities Act). Article XIV of our amended and restated certificate of incorporation (Exhibit 3.1 to this registration statement) and Article VI of our bylaws (Exhibit 3.2 to this registration statement) provide for indemnification of our directors, officers, employees and other agents to the maximum extent permitted by Delaware law. In addition, we have entered into Indemnification Agreements (Exhibit 10.6 to this registration statement) with our officers and directors. The underwriting agreement (Exhibit 1.1 to this registration statement) also provides for cross-indemnification among us and the underwriters with respect to certain matters, including matters arising under the Securities Act. Our amended and restated certificate of incorporation provides that subject to Delaware law, our directors will not be personally liable for monetary damages awarded as a result of a breach of their fiduciary duty owed to Novatel Wireless, Inc. and its stockholders. This provision does not eliminate our directors' fiduciary duty and in appropriate circumstances equitable remedies such as injunctive or other forms of non-monetary relief will remain available under Delaware law.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

During the past three years, we have issued and sold the following securities:

1. On June 30 and July 14, 2000, we issued and sold a total of 1,964,050 shares of our Series D preferred stock to accredited investors at a purchase price of $17.25 per share. We also issued and sold warrants to purchase a total of 392,800 shares of our common stock at an exercise price of $17.25 per share. These warrants are exercisable upon the earliest to occur of June 30, 2001, the closing of this offering or a transaction which results in a change of control of our company.

2. On December 31, 1999, we issued and sold a total of 3,674,277 shares of our Series C preferred stock to accredited investors at a purchase price of $8.34 per share. We also issued and sold warrants to purchase a total of 706,357 and 9,856 shares of common stock at an exercise price of $10.00 and $8.34 per share, respectively, on or prior to December 31, 2004.

3. On October 12, 1999, we issued and sold a warrant to purchase 23,810 shares of our Series C preferred stock to a financial institution in connection with a working line of credit at an exercise price of $6.30 per share.

4. On June 24, 1999 and on July 15, 1999, we and NWT issued and sold convertible subordinated debentures to accredited investors in the total original principal amount of $3,120,000 bearing interest at the rate of 8% per annum. Of this amount, $500,000 in original principal amount was issued by our subsidiary NWT. We also issued warrants to purchase a total of 1,310,002 shares of common stock at an exercise price of $2.00 per share on or prior to June 24, 2004 or July 15, 2004 depending on their date of issuance. In connection with this financing, NWT issued warrants to purchase 250,000 shares of NWT's common stock, which shares of NWT common stock are thereafter exchangeable on a one-for-one basis for shares of our common stock. Immediately upon the closing of our Series C preferred stock financing, the principal amount then outstanding under these convertible subordinated debentures, together with accrued interest thereon, automatically converted into 388,907 shares of our Series C preferred stock at a price of $8.34 per share without the payment of additional consideration.

5. On December 23, 1997, April 24, 1998 and September 1, 1998, we issued and sold a total of 2,084,281 shares of our Series B preferred stock to accredited investors at a purchase price of $4.26 per share. In addition, on December 23, 1997, our subsidiary NWT issued an aggregate of 213,614 shares of its Series B preferred stock. These NWT shares are exchangeable on a one-for-one basis for shares of our Series B preferred stock. During this period, we also issued warrants to purchase 781,605 shares of our common stock at an exercise price of $4.26 per share. In connection with this financing, NWT issued warrants to purchase 80,105 shares of NWT's common stock at an exercise price of $4.26 per share which shares of NWT common stock are thereafter exchangeable on a one-for-one basis for shares of our common stock. 176,056 of the warrants that each of Novatel and NWT issued in connection with this Series B financing are exercisable on or before December 31, 2002 and 685,654 of such warrants are exercisable on or before April 24, 2003.

6. At July 25, 2000, we have outstanding options to purchase 2,900,731 shares of our common stock to a number of our employees, directors and consultants.

None of the foregoing transactions involved any underwriters, underwriting discounts or commissions, or any public offering, and we believe that each transaction was exempt from the registration requirements under the Securities Act by virtue of Section 4(2) thereof, Regulation D promulgated thereunder or Rule 701 with respect to compensatory benefit plans and contracts relating to compensation as provided under Rule 701. The recipients of securities in each such transaction represented their intention to acquire the securities for investment purposes only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were affixed to the stock certificates and warrants issued in such transactions. All recipients had adequate access, through their relationships with us, to information about us.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) EXHIBITS

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT
1.1*	Form of underwriting agreement.
3.1*	Amended and Restated Certificate of Incorporation of Novatel Wireless, Inc., to be effective upon consummation of this offering.
3.2*	Amended and Restated Bylaws of Novatel Wireless, Inc., to be effective upon consummation of this offering.
4.1*	Form of Specimen Common Stock Certificate.
5.1*	Opinion of Orrick, Herrington & Sutcliffe LLP regarding the legality of the common stock being registered.
10.1	1997 Stock Option Plan of Novatel Wireless, Inc.
10.2*	2000 Stock Incentive Plan of Novatel Wireless, Inc.
10.3*	2000 Employee Stock Purchase Plan of Novatel Wireless, Inc.
10.4	Amended and Restated Registration Rights Agreement, dated as of June 15, 1999, by and among Novatel Wireless, Inc. and some of its stockholders.
10.5	Amended and Restated Investors' Rights Agreement, dated as of June 30, 2000, by and among Novatel Wireless, Inc. and some of its stockholders.
10.6*	Form of Indemnification Agreement to be entered into by and between Novatel Wireless, Inc. and its officers and directors.
10.7*	Loan and Security Agreement, dated as of October 12, 1999, by and between Novatel Wireless, Inc. and Venture Banking Group, a division of Cupertino National Bank.
10.8*	Sublease Agreement, dated as of July 7, 2000, by and between Sicor Inc. (formerly Gensia Sicor, Inc.) and Novatel Wireless, Inc., for 9360 Towne Centre Drive, San Diego, California.
10.9	Real Property Lease, dated as of February 1, 1997, by and between Novatel Wireless Technologies Ltd. and Sun Life Assurance Company of Canada, for 6715 8th St., N.E., Calgary, Alberta.
10.10+	Supply Agreement, dated as of March 31, 2000, by and between Novatel Wireless, Inc. and Hewlett-Packard Company.
10.11+	Technology License, Manufacturing and Purchase Agreement, dated as of October 13, 1999, by and between Novatel Wireless, Inc. and Metricom, Inc.
10.12+	Supply Agreement, dated as of July 15, 1999, by and between Novatel Wireless, Inc. and OpenSky Corporation (currently known as OmniSky Corporation).
10.13+	Electronic Manufacturing Services, dated as of September 3, 1999, by and between Novatel Wireless, Inc. and Sanmina (Canada) ULC.
10.14+	Letter Agreement, dated as of March 15, 2000, by and between Novatel Wireless, Inc. and Symbol Technologies, Inc.
10.15+	Agreement for Purchase and Sale of Novatel Wireless, Inc. Mobile Terminal Units dated as March 2000 by and between Novatel Wireless, Inc. and VoiceStream Wireless Corporation.
21.1	Subsidiaries of Novatel Wireless, Inc.
23.1	Consent of Arthur Andersen LLP, Independent Public Accountants.
23.2*	Consent of Orrick, Herrington & Sutcliffe LLP (contained in their opinion filed as Exhibit 5.1).
24.1	Power of Attorney (included in the signature page to this registration statement).
27.1	Financial Data Schedule.

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* To be filed by amendment.

+ Confidential treatment requested as to some portions of this exhibit.

(b) FINANCIAL STATEMENT SCHEDULES

Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

ITEM 17. UNDERTAKINGS

We undertake to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names the underwriters require to permit prompt delivery to each purchaser in the offering.

To the extent indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, our certificate of incorporation, our bylaws, indemnification agreements entered into between the company and our officers and directors, the underwriting agreement, or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission this indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against these liabilities (other than our payment of expenses incurred or paid by any of our directors, officers or controlling persons in the successful defense of any action, suit or proceeding) is asserted by a director, officer or controlling person in connection with the securities being registered, we will, unless our legal counsel opines that controlling precedent has settled the matter, submit to a court of appropriate jurisdiction the question whether this indemnification by us is against public policy as expressed in the Securities Act and we will be governed by the final adjudication of the issue.

The undersigned registrant undertakes:

(1) For the purpose of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus we filed pursuant to Rule 424(b)(1) or (4) or 497(h) of the Securities Act shall be deemed to be part of this registration statement as of the time the registration statement was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of those securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of San Diego, State of California on July 27, 2000.

NOVATEL WIRELESS, INC.

By: /s/ JOHN MAJOR
John Major
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints, jointly and severally, John Major and Melvin Flowers, and each of them, as his or her attorney-in-fact, with full power of substitution, for him or her in any and all capacities, to sign any and all amendments to this registration statement (including any and all post-effective amendments), and any and all registration statements filed pursuant to Rule 462 under the Securities Act, in connection with or related to the offering contemplated by this registration statement and its amendments, if any, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorney to any and all amendments to said registration statement.

Pursuant to the requirements of the Securities Act, this registration statement has been signed by the following persons in the capacities and on the dates indicated:

SIGNATURE	TITLE	DATE
/s/ JOHN MAJOR John Major	Chief Executive Officer and Director (Chief Executive Officer)	July 27, 2000
/s/ AMBROSE TAM Ambrose Tam	President, Chief Operating Officer and Chief Technology Officer	July 27, 2000
/s/ MELVIN FLOWERS Melvin Flowers	Chief Financial Officer (Chief Financial and Accounting Officer)	July 27, 2000
/s/ H. H. HAIGHT H. H. Haight	Director	July 27, 2000
/s/ BERNICE BRADIN Bernice Bradin	Director	July 27, 2000
/s/ NATHAN GIBB Nathan Gibb	Director	July 27, 2000

SIGNATURE	TITLE	DATE
/s/ ROBERT GETZ Robert Getz	Director	July 27, 2000
/s/ MARK ROSSI Mark Rossi	Director	July 27, 2000
/s/ STEVEN SHERMAN Steven Sherman	Director	July 27, 2000

EXHIBIT INDEX

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* To be filed by amendment.

+ Confidential treatment requested as to some portions of this exhibit.

EXHIBIT 10.1

NOVATEL WIRELESS, INC.
1997 EMPLOYEE STOCK OPTION PLAN
(ADOPTED AS OF JUNE 2, 1997)

ARTICLE I

GENERAL TERMS

1.1 PURPOSE OF PLAN; TERM

(a) ADOPTION. On June 2, 1997, the Board of Directors (the "Board") of Novatel Wireless, Inc., a Delaware corporation (the "Company"), adopted this stock option plan to be known as the Novatel 1997 Employee Stock Option Plan (the "Plan").

(b) DEFINED TERMS. All initially capitalized terms used in the Plan shall have the meanings set forth in Article IV hereto.

(c) GENERAL PROPOSE. The purpose of the Grant Program is to further the interests of the Company and its stockholders by attracting and retaining employees of the Company (or Parent or Subsidiary Corporations) and encouraging employees to acquire shares of the Company's Stock, thereby acquiring a proprietary interest is its business and an increased personal interest in its continued success and progress. Such purpose shall be, accomplished by providing for the granting of options ("Options") to acquire the Company's Stock.

(d) CHARACTER OF OPTIONS. Options granted under this Plan to employees of the Company (or Parent or Subsidiary Corporations) that are intended to qualify as "incentive stock options" as defined in Code Section 422 ("Incentive Stock Options") will be specified in the applicable stock option agreement. All other Options granted under this Plan will be nonqualified options.

(e) RULE 16b-3 PLAN. With respect to persons subject to Section 16 of the Securities Exchange Act of 1934, as amended ("1934 Act"), the Plan is intended to comply with all applicable conditions of Rule 16b-3 (and all subsequent revisions thereof) ("Rule 16b-3") promulgated under the 1934 Act. In such instance, to the extent any provision of the Plan or action by a Plan Administrator fails to so comply, it shall be deemed null and void, to the extent permitted by law and deemed advisable by such Plan Administrator. In addition, the Board may amend the Plan from time to time as it deems necessary in order to meet the requirements of any amendments to Rule 16b-3 without the consent of the stockholders of the Company.

(f) DURATION OF PLAN. The term of the Plan shall be 10 years commencing on the date of adoption of the Plan by the Board as specified in Section 1.l(a) hereof. No Option shall be granted under the Plan unless granted within 10 years of the adoption of the Plan by the Board, but Options outstanding on that date shall not be terminated or otherwise affected by virtue of the Plan's expiration.

1.2 STOCK AND MAXIMUM NUMBER OF SHARES SUBJECT TO PLAN

(a) DESCRIPTION OF STOCK AND MAXIMUM SHARES ALLOCATED. The stock subject to the provisions of the Plan and issuable upon exercise of Options granted under the Plan is shares of the Company's Common Stock, $.001 par value pet share (the "Stock"), which may be either unissued or treasury shares, as the Board may from time to time determine. Subject to adjustment as provided in Section 3.1 hereof, the aggregate number of shares of Stock covered by the Plan and issuable hereunder shall be 600,000 shares of Stock.

(b) CALCULATION OF AVAILABLE SHARES. For purposes of calculating the maximum number of shares of Stock which may be issued under the Plan, the shares issued (including the shares, if any, withheld for tax withholding requirements) upon exercise of an Option shall be counted.

(c) RESTORATION OF UNPURCHASED SHARES. If an Option expires or terminates for any reason prior to its exercise in full and before the term of the Plan expires, the shares of Stock subject to, but not issued wader, such Option shall, without further action by or on behalf of the Company, again be available under the Plan.

1.3 APPROVAL; AMENDMENTS

(a) APPROVAL BY STOCKHOLDERS. The Plan shall be submitted to the stockholders of the Company for their approval at a regular or special meeting to be held within 12 months after the adoption of the Plan by the Board. Stockholder approval shall be evidenced by the affirmative vote at the holders of a majority of the shares of the Company's Stock present in person or by proxy and voting at the meeting. The date such stockholder approval has been obtained shaft be referred to herein as the "Effective Date."

(b) COMMENCEMENT OF PROGRAMS. The Grant Program Shall commence immediately.

(c) AMENDMENTS TO PLAN. The Board may, without action on the part of the Company's stockholders, make such amendments to, changes in and additions to the Plan as it may, from time to time, deem necessary or appropriate and in the best interests of the Company; provided, however, that the Board may not, without the consent of the applicable Optionholder, take any action which disqualifies any Option previously granted under the Plan for treatment as an Incentive Stock Option or which adversely affects or impairs the rights of the Optionholder of any Option outstanding under the Plan, and further provided that, except as provided in Article III hereof, the Board may not, without the approval of the Company's stockholders, (i) increase the aggregate number of shares of Stock subject to the Plan, (ii) reduce the Exercise Price at which Options may be granted or the Exercise Price at which any outstanding Option may be exercised, (iii) extend the term of the Plan, (iv) change the class of persons eligible to receive Options under the Plan, or (v) materially increase the benefits accruing to participants under the Plan. Notwithstanding the foregoing, Options may be granted under this Plan to purchase shares of Stock in excess of the number of shares then available for issuance under the Plan if (A) an amendment to increase the maximum number of shares issuable under the Plan is adopted by the Board prior to a initial grant of any such Option and within one year thereafter

such amendment is approved by the Company's stockholders, and (B) each such Option granted is not to become exercisable or vested, in whole or in part, at any time prior to the obtaining of such stockholder approval.

ARTICLE II

GRANT PROGRAM

2.1 PARTICIPANTS; ADMINISTRATION

(a) ELIGIBILITY AND PARTICIPATION. Options may be granted only to persons ("Eligible Persons") who, at the time of grant, are employees of the Company (or Parent or Subsidiary Corporations); provided, however, the maximum number of shares of Stock with respect to which Options may be granted to any employee during the term of the Plan shall not exceed 50 percent of the shares of Stock covered by and is issuable under the Plan as specified in Section 1.2(a) hereof. A Plan Administrator shall have full authority to determine which Eligible Persons in its administered group are to receive Option grants under the Plan, the number of shares to be covered by each such grant, whether or not the granted Option is to be an Incentive Stock Option, the time or times at which each such Option is to become exercisable, and the maximum term for which the Option is to be outstanding.

(b) GENERAL ADMINISTRATION. The power to administer the Grant Program shall be vested with the Board or a committee designated by the Board. The Board may appoint a Senior Committee ("Senior Committee"), which may, at the discretion of the Board, be constituted so as to comply wish the applicable requirements of Rule 16b-3 and Code Section 162(m), and the Board may delegate to such Senior Committee the power to administer the Grant Program with respect to Eligible Persons who are Affiliates and/or non-Affiliates. The Board may also appoint an Employee Committee ("Employee Committee") of two or more persons who are members of the Board and delegate to such Employee Committee the power to administer the Grant Program with respect to Eligible Persons that are not Affiliates for purposes of this Plan, the term "Affiliates" shall mean all "officers" (as that term is defined in Rule 16a-1(f) promulgated under the 1934 Act), all "covered persons" (as that term is defined in Code Section 162(m)), directors of the Company, and all persons who own 10 percent or more of the Company's issued and outstanding equity securities.

(c) PLAN ADMINISTRATORS. The Board, the Senior Committee, the Employee Committee, and/or any other committee allowed hereunder, whichever is applicable, shall be each referred to herein as a "Plan Administrator." Each Plan Administrator shall have the authority and discretion, with respect to its administered group, to select which Eligible Persons shall participate in the Grant Program, to grant Options under the Grant Program, to establish such rules and regulations as they may deem appropriate with respect to the proper administration of the Grant Program and to make such determinations under, and issue such interpretations of, the Grant Program and any outstanding Option as they may deem necessary or advisable. Unless otherwise required by law or specified by the Board with respect to any committee, decisions among the members of a Plan Administrator shall be by majority vote. Decisions of a Plan Administrator shall be final and binding on all parties who have an interest in the Grant Program or any outstanding Option. The Senior Committee, the Employee committee,

and/or any other committee allowed hereunder, in their respective sole discretion, may make specific grants of Options conditioned on approval of a Board.

The Board may establish an additional committee or committees of persons who are members of the Board and delegate to such other committee or committees the power to administer all or a portion of the Grant program with respect to all or a portion of the Eligible Persons. Members of the Senior Committee, Employee Committee, or any other committee allowed hereunder shall serve for such period of time as the Board may determine and shall be subject to removal by the Board at any time. The Board may, at any time, terminate all or a portion of the functions of the Senior Committee, the Employee Committee, or any other committee allowed hereunder and reassume all or a portion of powers and authority previously delegated to such committee.

(d) GUIDELINES FOR PARTICIPATION. In designating and selecting Eligible Persons for participation in the Grant Program, a Plan Administrator shall consult with and give consideration to the recommendations and criticisms submitted by appropriate managerial and executive officers of the Company. A Plan Administrator also shall take into account the duties and responsibilities of the Eligible Persons, their past, present and potential contributions to the success of the Company and such other factors as a Plan Administrator shall deem relevant in connection with accomplishing the purpose of the Plan.

2.2 TERMS AND CONDITIONS OF OPTIONS

(a) ALLOTMENT OF SHARES. A Plan Administrator shall determine the number of shares of Stock to be optioned from time to time and the number of shares to be optioned to any Eligible Person (the "Optioned Shares"). The grant of a Option to a person shall neither entitle such person to, nor disqualify such person from, participation in any other grant of Options under this Plan or any other stock option plan of the Company.

(b) EXERCISE PRICE. Upon the grant of my Option, a Plan Administrator shall specify the price ("Exercise Price") to be paid for each share of Stock upon the exercise of such Option. The Exercise Price may not be less than 100 percent of the fair market value per share of the Stock on the date the Option is granted if the Option (i) is intended to qualify as an Incentive Stock Option, and/or (ii) is intended to qualify for the "performance-based compensation" exception to the tax deduction limits of Code Section 162(m). If the Option is intended to qualify as an Incentive Stock Option and is granted to a stockholder, who at the time the Option is granted, owns or is deemed to own stock possessing more than 10 percent of the total combined voting power of all classes of stock of the Company) (or of any Parent or Subsidiary Corporation), the Exercise Price shall not be less than 110 percent of the fair market value per share of Stock on the date chat the Option is granted. The determination of the fair market value of the Stock shall be made in accordance with the valuation provisions of Section 3.5 hereof.

(c) INDIVIDUAL STOCK OPTION AGREEMENTS. Options granted under the Plan shall be evidenced by option agreements in such form and content as a Plan Administrator from time to time approves, which agreements shall substantially comply with and be subject to the terms of the Plan, including the terms and conditions of this Section 2.2. As determined by a Plan Administrator, each option agreement shall state (i) the total number of shares to which it

pertains, (ii) the Exercise Price for the shares covered by the Option, (iii) the time at which the Options vest and become exercisable, and (iv) the Option's scheduled expiration date. The option agreements may contain such other provisions or conditions as a Plan Administrator deems necessary or appropriate to effectuate the sense and purpose of the Plan, including without limitation, covenants by the Optionholder not to compete and remedies for the Company in the event of the breach of any such covenant, and a requirement that any partial exercise of an Option be for no Less than 20% of the total number of shares originally subject to such Option.

(d) OPTION PERIOD. No Option granted wader the Plan that is intended to be an Incentive Stock Option shall be exercisable for a period in excess of 10 years from the date of its grant (five years if the Option is granted to a stockholder who at the time the Option is granted owns or is deemed to own stuck possessing more than 10 percent of the total combined voting power of all classes of stock of the Company or of any Parent or Subsidiary Corporation), subject to earlier termination in the event of termination of employment, retirement or death of the Optionholder. A Option may be exercised in full or is part at any time or from time to time during the term of the Option or provide for its exercise in stated installments at stated times during the Option's term.

(e) VESTING; LIMITATIONS. The tame at which the Optioned Shares vest with respect to an Optionholder shall be in the discretion of that Optionholder's Plan Administrator. Notwithstanding the foregoing, to the extent a Option is intended to qualify as an Incentive Stock Option, the aggregate fair market value (determined as of the respective date or dates of grant) of the Stock for which one or more Options granted to any person under this Plan (or any other option plan of the Company or any Parent or Subsidiary Corporation) may for the first time become exercisable as Incentive Stock Options during any one calendar year shall not exceed the sum of $100,000 (referred to herein as the "$100,000 Limitation"). To the extent that any person holds two or more Options which become exercisable for the first time in the same calendar year, the foregoing limitation on the exercisability as an Incentive Stock Option shall be applied on the basis of the order in which such Options are granted.

(f) NO FRACTIONAL SHARES. Options shall be exercisable only for whole shares: no fractional shares will be issuable upon exercise of any Option granted under the Plan.

(g) METHOD OF EXERCISE. In order to exercise a Option with respect to any vested Optioned Shares, an Optionholder (or in the case of an exercise after an Optionholder's death, such Optionholder's executor, administrator, heir or legatee, as the case may be) must take the following action:

(i) execute and deliver to the Company a written notice of exercise signed in writing by the person exercising the Option specifying the number of shares of Stock with respect to which the Option is being exercised;

(ii) pay the aggregate Exercise Price in one of the alternate forms as set forth in Section 2.2(h) below; and

(iii) furnish appropriate documentation that the person or persons exercising the Option (if other than the Optionholder) has the right to exercise such Option.

As soon as practicable after the Exercise Date, the Company shall mail or deliver to or on behalf of the Optionholder (or any other person or persons exercising this Option in accordance herewith) a certificate or certificates representing the Stock for which the Option has been exercised in accordance with the provisions of this Plan. In no event may any Option be exercised for any fractional shares.

(h) PAYMENT OF EXERCISE PRICE. The aggregate Exercise Price shall be payable in one of the alternative forms specified below:

(i) Full payment in cash or check made payable to the Company's order; or

(ii) To the extent permitted by the Plant Administrator, in its sole and unrestricted discretion, full payment in shares of Stock held for the requisite period necessary to avoid a charge to the Company's reported earnings and valued at fair market value on the Exercise Date (as determined in accordance with Section 3.5 hereof); or

(iii) If a cashless exercise program has been implemented by the Board and to the extent permitted by the Plan Administrator, in its sole and unrestricted discretion, full payment through a sale and remittance procedure pursuant to which the Optionholder (A) shall provide irrevocable written instructions to a designated brokerage firm to effect the immediate sale of a Optioned Shares to be purchased and remitted to the Company, out of the sale proceeds available on the settlement date, sufficient funds to cover the aggregate Exercise Price payable for the Optioned Shares to be purchased, and (B) shall concurrently provide written directives to the Company to deliver the certificates for the Optioned Shares to be purchased directly to such brokerage firm in order to complete a sale transaction.

(i) REPURCHASE RIGHT. The Plan Administrator may, in its sole discretion, set forth other terms and conditions upon which the Company (or its assigns) shall have the right to repurchase shares of Stock acquired by as Optionholder pursuant to an Option. Any repurchase right of the Company shall be exercisable by the Company (or its assignees) upon such terms and conditions as the Plan Administrator may specify in the Stock Repurchase Agreement evidencing such right. The Plan Administrator may, in its discretion, also establish as a term and condition of one or more Options granted under the Plan that the Company shall have a right of first refusal with respect to any proposed sale or other disposition by the Optionholder of any shares of Stock issued upon the exercise of such Options. Any such right of first refusal shall be exercisable by the Company (or its assigns) in accordance with the terms and conditions set forth in the Stock Repurchase Agreement.

(j) TERMINATION OF INCENTIVE STOCK OPTIONS

(i) TERMINATION OF SERVICE. If any Optionholder teas to be in Service to the Company for a reason other than death, the Optionholder's vested Incentive Stock Options on the date of termination of such Service shall remain exercisable for no more than 90 days after the date of termination of such Service or unfit the stated expiration date of the Optionholder's Option, whichever occurs first; provided, that (i) if Optionholder is discharged for Cause, or (ii) if after the Service of the Optionholder is terminated, the Optionholder commits

acts detrimental to the Company's interests, then the Incentive Stock Option shall thereafter be void for all purposes. The Company shall have "Cause" to discharge the Optionholder for (A) commission of a crime by the Optionholder or for reasons involving moral turpitude; (B) an act by the Optionholder which tends to bring the Company into disrepute; or (C) negligent, fraudulent or willful misconduct by the Optionholder. Notwithstanding the foregoing, if any Optionholder ceases to be in Service to the Company by reason of permanent disability within the meaning of Code Section 22(e)(3) (as determined by the applicable Plan Administrator), the Optionholder shall have up to 180 days after the dace of termination of Service, but in no event after a stated expiration date of the Optionholder's Incentive Stock Options, to exercise Incentive Stock Options that the Optionholder was entitled to exercise on the date the Optionholder's Service terminal as a result of such disability.

(ii) DEATH OF OPTIONHOLDER. If an Optionholder dies while in the Company's Service, the Optionholder's vested Incentive Stock Options as of the date of death shall remain exercisable up to one year after the date of death or until the stated expiration date of the Optionholder's Option, whichever occurs first, and may be exercised only by the person or persons ("Successors") to whom the Optionholder's rights pass under a will or by the laws of descent and distribution. The Option may be exercised and payment of the Exercise Price made in full by the Successors only after written notice to the Company specifying the number of shares to be purchased. Such notice shall state that the Exercise Plan is being paid in full in the manner specified in Section 2.2 hereof. As soon as practicable after receipt by the Company of such notice and payment in full of the Exercise Price, a certificate or certificates representing the Optioned Shares shall be registered in the name or names specified by the Successors in the written notice of exercise and shall be delivered to the Successors.

(k) TERMINATION OF NONQUALIFIED OPTIONS. Any Options, which are not Incentive Stock Options and are outstanding at the time an Optionholder dies while in Service to the Company or otherwise ceases to be in Service to the Company, shall remain exercisable for such period of time thereafter as determined by the Plan Administrator at the time of grant and set forth in the documents evidencing such Options; provided, however, that no Option shall be exercisable after the Option's stated expiration date, and provided further, that if the Optionholder is discharged for Cause or, if after the Optionholder's Service to the Company is terminated, the Optionholder commits acts detrimental to the Company's interests, then the Option will thereafter be void for all purposes.

(l) OTHER PLAN PROVISIONS STILL APPLICABLE. If an Option is exercised upon the termination of Service or death of an Optionholder under this Section 2.2, the other provisions of the Plan shall still be applicable to such exercise, including the requirement that the Optionholder or his or her Successor may be required to enter into a Stock Repurchase Agreement.

(m) DEFINITION OF "SERVICE." For purposes of this Plan, unless otherwise provided in the option agreement with the Optionholder, the Optionholder shall be deemed to be in "Service" to the Company so long as such individual renders continuous services on a periodic basis to the Company (or to any Parent or Subsidiary Corporation) in the capacity of an employee, director, or an independent consultant or advisor. In the discretion of a Plan Administrator, an Optionholder shall be considered to be rendering continuous services to the

Company even if the type of services change, e.g., from employee to independent consultant. The Optionholder shall be considered to be an employee for so long as such individual remains in the employ of the Company or one or more of its Parent or Subsidiary Corporations.

(n) TAX REIMBURSEMENT BONUS. The Plan Administrator may, with the consent of the Board, cause the Company to pay a cash bonus to an Optionholder for the purpose of paying ail or a portion of any federal, state or local tax due with respect to the grant, exercises or disposition of an Option, the disposition of shares of Stock acquired upon the exercise of as Option, and/or any payment made under this Section 2.2(n).

ARTICLE III

MISCELLANEOUS

3.1 CAPITAL ADJUSTMENTS. The aggregate number of shares of Stock subject to the Plan, the number of shares covered by outstanding Options, and the Exercise Price stated in such Options shall be proportionately adjusted for any increase or decrease in the number of outstanding shares of Stock of the Company resulting from a subdivision or consolidation of shares or any other capital adjustment or the payment of a stock dividend or any other increase or decrease in the number of such shares effected without the Company's receipt of consideration therefor in money, services or property.

3.2 MERGERS, ETC. If the Company is the surviving corporation in any merger or consolidation (not including a Corporate Transaction), any Option granted under the Plan shall pertain to and apply to the securities to which a holder of the number of shares of Stock subject to the Option would have been entitled prior to the merger or consolidation. Except as provided in Section 3.3 hereof, a dissolution or liquidation of the Company shall cause every Option outstanding hereunder to terminate.

3.3 CORPORATE TRANSACTION. In the event of stockholder approval of a Corporate Transaction, the Plan Administrator shall have the discretion and authority, exercisable at any time, to provide for the automatic acceleration of one or more of the outstanding Options granted by it under the Plan. Upon the consummation of the Corporate Transaction, all Options shall, to the extent not previously exercised, terminate and cease to be outstanding.

3.4 CHANGE IN CONTROL

(a) GRANT PROGRAM. A Plan Administrator shall have the discretion and authority, exercisable at any time, whether before or after a Change in Control, to provide for the automatic acceleration of one or more outstanding Options granted by it under the Plan in the vent of a Change in Control. A Plan Administrator may also impose limitations upon the automatic acceleration of such Options to the extent it deems appropriate. Any Options accelerated upon a Change in Control shall remain fully exercisable until the expiration or sooner termination of the Option term.

(b) INCENTIVE STOCK OPTION LIMITS. The exercisability of any Options which are intended to qualify as Incentive Stock Options and which are accelerated by the Plan Administrator in connection with a pending Corporation Transaction or Change in Control shall,

except as otherwise provided in the discretion of the Plan Administrator, remain subject to the $100,000 Limitation and vest as quickly as possible without violating the $100,000 Limitation.

3.5 CALCULATION OF FAIR MARKET VALUE OF STOCK. The fair market value of a share of Stock on any relevant date shall be determined in accordance with the following provisions:

(a) If the Stock is not at the time listed or admitted to trading on any stock exchange but is traded in the over-the-counter market, the fair market value shall be the mean between the highest bid and lowest asked prices (or, if such information is available, the closing selling price) per share of Stock on the date in question in the over-the-counter market, as such prices are report d by the National Association of Securities Dealers through its Nasdaq system or any successor system. If there are no reported bid and asked prices (or closing selling price) for the Stock on the date in question, then the mean between the highest bid price and lowest asked price (or the closing selling price) on the last preceding date for which such quotations exist shall be determinative of fair market value.

(b) If the Stock is at the time listed or admitted to trading on any stock exchange, then the fair market value shall be the closing selling price per share of Stock on the date in question on the stock exchange determined by the Board to be the primary market for the Stock, as such price is officially quoted in the composite tape of transactions on such exchange. If there is no reported sale of Stock on such exchange on the date in question, then the fair market value shall be the closing selling price on the exchange on the last preceding date for which such quotation exists.

(c) If the Stock at the time is neither listed nor admitted to trading on any stock exchange nor traded in the over-the-counter market, then the fair market value shall be determined by the Board after taking into account such factors as the Board shall deem appropriate.

3.6 USE OF PROCEED. The proceeds received by the Company from the sale of Stock pursuant to the exercise of Options hereunder, if any, shall be used for general corporate purposes.

3.7 CANCELLATION OF OPTIONS. Each Plan Administrator shall have the authority to effect, at any time and from time to time, with the consent of the affected Optionholder, the cancellation of any or all outstanding Options granted under the Plan and to grant in substitution therefore new Options under the Plan covering the same or different numbers of shares of Stock as long as such new Options have an Exercise Price that is no less than the minimum Exercise Price as set forth in Section 2.2(b) hereof on the new grant date.

3.8 REGULATORY APPROVALS. The implementation of the Plan, the granting of any Option hereunder, and the issuance of Stock upon the exercise of any such Option shall be subject to the procurement by the Company of all requisite approvals and permits.

3.9 INDEMNIFICATION. Each and every member of a Plan Administrator, in addition to such other available rights of indemnification, shall be indemnified and held harmless by the Company, to the extent permitted under applicable law, for, from and against all costs and expenses reasonably incurred in connection with any action, suit, or other legal proceeding to

which any member thereof may be a party by reason of any action taken, failure to act under or in connection with the Plan or any rights granted thereunder and against all amounts paid by them in settlement thereof or paid by them in satisfaction of a judgment of any such action, suit or proceeding, except a judgment based upon a finding of bad faith.

3.10 PLAN NOT EXCLUSIVE. This Plan is not intended to be the exclusive means by which the Company may issue options to acquire its Stock. To the extent permitted by applicable law, other options or awards may be issued by the Company other than pursuant to this Plan without stockholder approval.

3.11 COMPANY RIGHTS. The grants of Options shall in no way affect the right of the Company to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

3.12 PRIVILEGE OF STOCK OWNERSHIP. An Optionholder shall not have any of the rights of a stockholder with respect to Optioned Shares until such individual shall have exercised the Option and paid the Exercise Price for the Optioned Shares. No adjustment will be made for dividends or other rights for which the record date is prior to the date of such exercise and full payment for such Optioned Shares.

3.13 ASSIGNMENT. Except as may be specifically allowed by the Plan Administrator and set forth in the documents evidencing an Option. no Option granted under the Plan or any of the rights and privileges conferred thereby shall be assignable or transferable by an Optionholder or grantee other than by will or the laws of descent and distribution. and such Option shall be exercisable during the Optionholder's or grantee's lifetime only by the Optionholder or grantee. Notwithstanding the foregoing, no Incentive Stock Option granted under the Plan or any of the rights and privileges conferred thereby shall be assignable or transferable by an Optionholder or grantee other than by will or the laws of descent and distribution, and such Incentive Stock Option shall be exercisable during the Optionholder's or grantee's lifetime only by the Optionholder or grantee. The provisions of the Plan shall inure to the benefit of, and be binding upon, the Company and its successors or assigns, and the Optionholders, the legal representatives of their respective estates, their respective heirs or legatees and their permitted assignees.

3.14 SECURITIES RESTRICTIONS

(a) LEGEND ON CERTIFICATES. All certificates representing shares of Stock issued upon exercise of Options granted under the Plan shall be endorsed with a legend reading as follows:

> THE SHARES OF COMMON STOCK EVIDENCED BY THIS CERTIFICATE HAVE BEEN ISSUED TO THE REGISTERED OWNER IN RELIANCE UPON WRITTEN REPRESENTATIONS THAT THESE SHARES HAVE BEEN PURCHASED SOLELY FOR INVESTMENT. THESE SHARES MAY NOT BE SOLD, TRANSFERRED OR ASSIGNED UNLESS IN THE OPINION OF THE COMPANY AND ITS LEGAL COUNSEL SUCH SALE, TRANSFER

OR ASSIGNMENT WILL NOT BE IN VIOLATION OF THE SECURITIES ACT OF 1933, AS AMENDED, AND THE RULES AND REGULATIONS THEREUNDER.

(b) PRIVATE OFFERING FOR INVESTMENT ONLY. The Options are and shall be made available only to a limited number of present and future employees who have knowledge of the Company's financial condition, management and its affairs. The Plan is not intended to provide additional capital for the Company, but to encourage ownership of Stock among the Company's employees. By the act of accepting an Option, each grantee agrees (i) that any shares of Stock acquired pursuant to any Option will be solely acquired for investment and not with any intention to resell or redistribute those shares, and (ii) such intention will be confirmed by an appropriate certificate at the time the Stock is acquired if requested by the Company. The neglect or failure to execute such a certificate, however, shall not limit or negate the foregoing agreement.

(c) REGISTRATION STATEMENT. If a Registration Statement covering a shares of Stock issuable upon exercise of Options granted under the Plan is filed under the Securities Act of 1933, as amended, and is declared effective by the U.S. Securities Exchange Commission, the provisions of Sections 3.14(a) and (b) shall terminate during the period of time that such Registration Statement, as periodically amended, remains effective.

3.15 TAX WITHHOLDING

(a) GENERAL. The Company's obligation to deliver Stock upon the exercise of Options under the Plan shall be subject to the satisfaction of all applicable United States, Canadian, state, provincial, and local income tax withholding requirements.

(b) SHARES TO PAY FOR WITHHOLDING. The Plan Administrator may, in its discretion and in accordance with the provisions of this Section 3.15(b) and such supplemental rules as it may from time to time adopt, provide any or all Optionholders with the right to use shares of Stock in satisfaction of all or part of the United States, Canadian, state, provincial, and local income tax liabilities ("Taxes") incurred by such Optionholders in connection with the exercise of their Options. Such right may be provided to Optionholders in either or both of the following formats:

(i) STOCK WITHHOLDING. The Plan Administrator may, in its discretion, provide the Optionholder with the election to have the Company withhold, from the Stock otherwise issuable upon the exercise of an Option, a portion of those shares of Stock with an aggregate fair market value equal to the percentage (not to exceed 100 percent) of the applicable Taxes designated by the Optionholder.

(ii) STOCK DELIVERY. The Plan Administrator may, in its discretion, provide the Optionholder with the election to deliver to the Company, at the time the Option is exercised, one or more shares of Stock previously acquired by such individual (other than pursuant to the transaction triggering Taxes) with an aggregate fair market value equal to the percentage (not to exceed 100 percent) of the Taxes incurred in connection with such Option exercise as designated by the Optionholder.

3.16 GOVERNING LAW. The Plan shall be governed by and all questions thereunder shall be determined in accordance with the laws of the State of Delaware, without regard to its conflicts of laws principles.

ARTICLE IV

DEFINITIONS

The following capitalized terms used in this Plan shall have the meaning described below:

"AFFILIATES" shall have the meaning set forth in Section 2.1(b) hereof.

"BOARD" shall mean the Board of Directors of the Company.

"CAUSE" shall have the meaning set forth in Section 2.2(j)(i) hereof.

"CHANGE IN CONTROL" shall mean and include the following transactions or situations (i) a person or related group of persons, other than the Company or a person that directly or indirectly controls, is controlled by, or under common control with the Company, acquires ownership of 40 percent or more of the Company's outstanding common stock pursuant to a tender or exchange offer which the Board of Directors recommends that the Company's stockholders not accept, or (ii) the change in the composition of the Board occurs such that those individuals who were elected to the Board at the last stockholders' meeting at which there was not a contested election for Board membership subsequently ceased to comprise a majority of the Board by reason of a contested election.

"CODE" shall mean the United States Internal Revenue Code of 1986, as amended.

"COMPANY" shall mean Novatel Wireless, Inc. a Delaware corporation.

"CORPORATE TRANSACTION" shall mean (a) a merger or consolidation in which the Company is not the surviving entity, except for a transaction the principal purposes of which is to change the state in which the Company is incorporated; (b) the sale, transfer of or other disposition of, all or substantially all of the assets of the Company and complete liquidation or dissolution of the Company, or (c) any reverse merger in which the Company is the surviving entity but in which the securities possessing snore than 50 percent of the total combined voting power of the Company's outstanding securities are transferred to a person or persons different from those who held such securities immediately prior to such merger.

"EFFECTIVE DATE" shall mean the date that the Plan has been approved by the stockholders as set forth in Section 1.3(a) hereof.

"ELIGIBLE PERSONS" shall have the meaning set forth in Section 2.1(a) hereof.

"EMPLOYEE COMMITTEE" shall mean that committee appointed by the Board to administer the Plan with respect to the Non-Affiliates and comprised of two or more persons who are members of the Board.

"EXERCISE DATE" shall be the date on which written notice of the exercise of an Option is delivered to the Company in accordance with the requirements of the Plan.

"EXERCISE PRICE" shall mean the Exercise Price per share as specified by the Plan Administrator pursuant to Section 2.2(b) hereof.

"GRANT PROGRAM" shall mean the program described in this Plan pursuant to which Eligible Persons are granted Options in the discretion of the Plan Administrator.

"INCENTIVE STOCK OPTION" shall mean an Option that is intended to qualify as an "incentive stock option" under Code Section 422.

"$100,000 LIMITATION" shall mean the limitation pursuant to which the aggregate fair market value (determined as of the respective date or dates of grant) of the Stock for which one or more Options granted to any persons under this Plan (or any other option plan of the Company or any Parent or Subsidiary Corporation) may for the first time be exercisable as Incentive Stock Options during any one calendar year shall not exceed the sum of $100,000.

"OPTIONED SHARES" shall have the meaning set forth in Section 2.2(a) hereof.

"OPTIONHOLDER" shall mean an Eligible Person to whom Options have been granted.

"OPTIONS" shall mean options to acquire Stock granted under the Plan.

"PARENT CORPORATION" shall mean any corporation in the unbroken chain of corporations ending with the employer corporation, where, at each link of the chain, the corporation and the link above owns at least 50 percent of the combined total voting power of all classes of the stock in the corporation in the link below.

"PLAN" shall mean this stock option plan for Novatel Wireless, Inc.

"PLAN ADMINISTRATOR" shall mean (a) either the Board, the Senior Committee, or any other committee, whichever is applicable, with respect to the administration of the Grant Program as it relates to Affiliates, and (b) either the Board, the Senior Committee, the Employee Committee, or any other committee, whichever is applicable, with respect to the administration of the Grant Program as it relates to Non-Affiliates.

"RULE 16b-3" shall have the meaning set forth in Section 1.1(e) hereof.

"SENIOR COMMITTEE" shall have the meaning set forth in Section 2.1(b) hereof.

"SERVICE" shall have the meaning set forth in Section 2.2(m) hereof.

"STOCK" shall mean shares of the Company's common stock, $.001 par value per share, which may be unissued or treasury shares, as the Board may from time to time determine.

"SUBSIDIARY CORPORATION" shall mean any corporation in the unbroken chain of corporations starting with the employer corporation, where, at each link of the chain, the corporation and the link above owns at least 50 percent of the combined voting power of all classes of stock in the corporation below.

"SUCCESSORS" shall have the meaning set forth in Section 2.21(j)(ii) hereof.

"TAXES" shall have the meaning set forth in Section 3.15(b) hereof.

EXECUTED as of the 2nd day of June, 1997.

NOVATEL WIRELESS, INC.

By: /s/

Its: President

ATTESTED BY:

/s/
- ---

Its: Secretary

EXHIBIT 10.4

AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT

This AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT (this "Amended Registration Rights Agreement") is entered into as of June 15, 1999 by and among the following parties:

1. Novatel Wireless, Inc., a Delaware corporation (the "Corporation");

2. Golden Gate Development and Investment Limited Partnership, Advent Israel Limited Partnership, Advent Partners Limited Partnership, each a Delaware limited partnership, and Advent Israel (Bermuda) Limited Partnership, a Bermuda limited partnership (collectively, the "Advent Investors");

3. Ventures West Investments Limited, a Canada corporation ("Ventures West"), Bank of Montreal Capital Corporation, a specialized financing corporation incorporated under the laws of Canada ("BMO-CC"), Sam Znaimer and Robin Louis (collectively, "Ventures West Investors");

4. Working Ventures Canadian Fund, Inc., a Canadian corporation ("Working Ventures");

5. GSM Capital Limited Partnership, a Delaware limited partnership ("GSM");

6. Harcol Limited Partnership ("Harcol");

7. Ventures West Investors, Working Ventures, GSM, BT Investment Partners, Inc. ("BT Partners") and certain other holders of the Corporation's Series B Convertible Preferred Stock, par value $.001 per shares ("Series B Stock") (each, individually, a "Series B Investor", and collectively, the "Series B Investors"); and

8. any additional investors ("Additional Investors") who comply with the provisions of Section 16 hereof (each of the Additional Investors and each of the investors as named under paragraphs 2 through 7 above, an "Investor" and collectively, the "Investors").

WHEREAS, the Corporation has entered into a certain Registration Rights Agreement, dated as of August 21, 1996, as amended by that certain Amendment No. 1, dated as of December 23, 1997, as further amended by that certain Amendment Agreement, dated as of April 24, 1998 and by that certain Second Amendment Agreement, dated as of August 31, 1998, entered into by and among the Corporation and other parties listed therein (the "Original Registration Rights Agreement"); and

WHEREAS, pursuant to that certain Series A Convertible Preferred Stock Purchase Agreement, dated as of August 21, 1996 by and among the Corporation and Advent Investors, GSM, Harcol, the Venture West Investors and such other investors named in the Schedule of Investors thereto (collectively, the "Initial Investors") (the "Stock Purchase Agreement"), the Corporation issued and sold to the Initial Investors certain shares of the Corporation's Series A Convertible Preferred Stock, par value $.001 per share ("Series A Stock"); and

WHEREAS, as of August 21, 1996, Working Ventures purchased certain shares of Series A Preferred Stock of Novatel Wireless Technologies Ltd., an Alberta corporation and a subsidiary of the Corporation ("NWT") (the "NWT Series A Shares") which shares are convertible into Series A Stock pursuant to the Share Purchase Agreement dated as of the date hereof between NWT and Working Ventures (the "NWT Share Purchase Agreement"); and

WHEREAS, pursuant to that certain Series B Preferred Stock and Warrant Purchase Agreement, dated as of December 23, 1997, as amended by that certain Amended and Restated Series B Convertible Preferred Stock and Warrant Purchase Agreement, dated as of April 24, 1998 and that certain Second Amendment Agreement, dated as of September 1, 1998 (the "Series B Stock Purchase Agreement"), the Corporation issued and sold to Venture West Investors, Working Ventures, GSM, BT Partners and certain other investors listed in Schedule of Investors thereto, certain shares of the Corporation's Series B Convertible Preferred Stock, par value $.001 per share ("Series B Stock") and certain warrants to purchase certain shares of Common Stock (as defined below) (the "Initial Warrants"); and

WHEREAS, as of December 23, 1997, Working Ventures purchased certain shares of the Series B Preferred Stock of NWT (the "NWT Series B Shares"), which shares are convertible into shares of the Series B Stock and certain warrants to purchase certain shares of the NWT's exchangeable common stock ("NWT Exchangeable Common Shares"), which shares are exchangeable for shares of Common Stock, pursuant to the Series B Stock Purchase Agreement and the Novatel Wireless Technologies Ltd. Share and Warrant Purchase Agreement (the "NWT Series B Share Purchase Agreement"); and

WHEREAS, the Corporation proposes to issue and sell to certain persons listed on the Schedule of Investors set forth in Exhibit A attached hereto (the "Schedule of Investors") (each, individually, an "Investor" and, collectively, the "Investors") a certain number of "Units" (defined as follows) in exchange for an aggregate investment of up $3,120,000, each Unit consisting of (a) a Convertible Subordinated Debenture issued by the Corporation ("Debenture") which may under certain circumstances convert into shares of Series A Preferred Stock in accordance with the terms and conditions set forth in that certain Unit Purchase Agreement, dated as of the date hereof by and among the Corporation and the Investors (the "Unit Purchase Agreement") and (b) a Common Stock Purchase Warrant ("Warrant") to purchase a certain number of shares of Common Stock at a price of $2.00, in accordance with the terms and conditions of the Unit Purchase Agreement; and

WHEREAS, concurrently with the closing of the Unit Purchase Agreement and pursuant to the terms and conditions therein and in that certain Unit Purchase Agreement, dated as of the date hereof by and between NWT and Working Ventures (the "NWT Unit Purchase Agreement"), Working Ventures will purchase a certain number of "NWT Units" (defined as follows), each NWT Unit consisting of (a) a Convertible Subordinated Debenture issued by NWT (the "NWT Debenture"), which NWT Debenture may under certain circumstances convert into shares of equity securities of NWT in accordance with the terms and conditions set forth in the NWT Unit Purchase Agreement and (b) a NWT Common Stock Purchase Warrant (the "NWT Warrant") to purchase a number of shares of the NWT Exchangeable Common Stock; and

WHEREAS, it is a condition to closing pursuant to the Unit Purchase Agreement and the NWT Unit Purchase Agreement that that the the parties hereto enter into this Amended and Restated Registration Rights Agreement.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto do hereby agree that the Original Registration Rights Agreement is hereby amended and restated in its entirety, and hereafter shall contain the following terms and conditions:

The Corporation hereby grants to each party hereto the registration rights set forth in this Amended and Restated Registration Rights Agreement with respect to the Registrable Securities (as hereinafter defined) owned by such party.

1. Definitions. As used in this Amended Registration Rights Agreement:

(a) "Act" shall mean the Securities Act of 1933, as amended, or any similar federal statute, and the rules and regulations of the Securities and Exchange Commission (the "SEC") thereunder, all as the same shall be in effect at the time;

(b) "Additional Shares" shall mean the shares of Preferred Stock issued and sold to the Initial Investors, other than the Advent Investors, GSM, Harcol and the Venture West Investors, pursuant to the Stock Purchase Agreement;

(c) "Common Stock" shall mean the Corporation's Common Stock, par value $.001 per share;

(d) "Follow-on Shares" shall mean the shares of Preferred Stock issued and sold to investors pursuant to Section 2.3 of the Stock Purchase Agreement;

(e) "Form S-3" shall mean such form under the Act as in effect on the date hereof or any successor registration form under the Act subsequently adopted by the SEC which permits inclusion or incorporation of substantial information by reference to other documents fried by the Corporation with the SEC;

(f) "Holder" shall mean any person owning or having the fight to acquire Registrable Securities or any assignee thereof in accordance with Section 13 hereof;

(g) "NWT Conversion Shares" shall mean, as of any given date, the number of shares of Common Stock into which the NWT Shares are convertible as of such date, or if as of such date the NWT Shares have been converted into Preferred Stock, the number of shares of Common Stock into which such shares of Preferred Stock are convertible as of such date.

(h) "Preferred Stock" shall mean those shares of the Corporation's (i) Series A Convertible Preferred Stock, par value $.001 per share, issued to the Initial Investors pursuant to the Stock Purchase Agreement; issued to the Investors upon the conversion of the Debentures or the pursuant to that certain Unit Purchase Agreement, dated as of the date hereof; or issued upon conversion of the NWT Shares and (ii) Series B Convertible Preferred Stock issued and sold pursuant to that certain Amended and Restated Series B Convertible Preferred Stock and

Warrant Purchase Agreement, dated as of April 24, 1998, by and among the Corporation and the investors named in the Schedule of Investors thereto ("Series B Stock Purchase Agreement"), including without limitation those shares issued to BT Investment Partners, pursuant to the Series B Stock Purchase Agreement, as amended by that certain Second Amendment Agreement, dated as of August 31, 1998, by and among the parties hereto, or issued upon the conversion of any preferred shares of NWT sold pursuant to the NWT Series B Stock Purchase Agreement reference therein (the "Series B NWT Shares").

(i) "Register," "registered," and "registration" shall refer to a registration effected by preparing and filing a registration statement or similar document in compliance with the Act, and the declaration or ordering of effectiveness of such registration statement or document.

(j) "Registrable Securities" shall mean (1) the Common Stock issuable or issued upon conversion of the Preferred Stock, (2) the NWT Conversion Shares and shares of Common Stock issuable upon conversion of the Series B NWT Shares (the "Series B NWT Conversion Shares") upon issuance thereof, (3) the Common Stock issuable or issued upon exercise of warrants to purchase Common Stock granted in accordance with the Series B Stock Purchase Agreement or the Unit Purchase Agreement and (4) any Common Stock of the Corporation issued as (or issuable upon the conversion or exercise of any warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, such Preferred Stock, NWT Conversion Shares and Series B NWT Conversion Shares (after issuance thereof), shares of NWT's exchangeable common stock issued upon exercise of warrants to purchase such exchangeable shares (after issuance thereof), or such Common Stock, excluding in all cases, however, any Registrable Securities sold by a person in a transaction in which his rights under this Amended Registration Rights Agreement are not assigned and shares sold by a person pursuant to a registration statement filed pursuant to the Act or Rule 144 adopted thereunder.

(k) The number of shares of "Registrable Securities then outstanding" shall be determined by the number of shares of Common Stock then outstanding which are, and the number of shares of Common Stock issuable pursuant to then exercisable securities which are, Registrable Securities.

2. Demand Registration.

(a) If the Corporation shall receive at any time after the earlier of (i) the date two years from the date hereof, or (ii) 180 days after the effective date of the first registration statement for a public offering of securities of the Corporation ("IPO") (other than a registration statement relating either to the sale of securities to employees of the Corporation pursuant to a stock option, stock purchase or similar plan or a SEC Rule 145 transaction), and prior to five years after the effective date of such IPO, a written request (a "Registration Request") from the Holders of a majority of the Registrable Securities then outstanding that the Corporation file a registration statement under the Act covering the registration of all or a portion of the Registrable Securities, then the Corporation shall within 10 days of the receipt thereof, give written notice of such request to all Holders and shall, subject to the limitations in Section 3, effect as soon as practicable (and in any event use its best efforts to file the registration statement within 60 days

of the receipt of such request) the registration under the Act of all Registrable Securities which the Holders request to be registered within 20 days of the mailing of such notice by the Corporation.

(b) If the Holders initiating the registration request hereunder ("Initiating Holders") intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Corporation as a part of their request made pursuant to this Section 2 and the Corporation shall include such information in the written notice referred to in subsection 2(a). The underwriter will be selected by a majority in interest of the Initiating Holders, shall be of recognized national standing and shall be reasonably acceptable to the Corporation. In such event, the fight of any Holder to include his Registrable Securities in such registration shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting (unless otherwise mutually agreed by a majority in interest of the Initiating Holders and such Holder) to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall (together with the Corporation as provided in subsection 5(e)) enter into an underwriting agreement in usual and customary form with the underwriter or underwriters selected for such underwriting.

3. Limitations on Demand Registration. Notwithstanding any provision of Section

(a) If the underwriter advises the Initiating Holders in writing that marketing factors require a limitation of the number of shares to be underwritten, then the Initiating Holders shall so advise all Holders of Registrable Securities which would otherwise be underwritten pursuant hereto, and the number of shares of Registrable Securities that may be included in the underwriting shall be allocated among all Holders thereof, including the Initiating Holders, in proportion (as nearly as practicable) to the amount of Registrable Securities of the Corporation owned by each Holder.

(b) If the Corporation shall furnish to Holders requesting a registration statement pursuant to Section 2, a certificate signed by Steven Sherman, as an authorized officer of the Corporation, or his replacement, stating that in the good faith judgment of the Board of Directors of the Corporation, it would be seriously detrimental to the Corporation and its stockholders for such registration statement to be fried at the time requested, and it is therefore necessary to defer the filing of such registration statement, the Corporation shall have the fight to defer notifying all Holders of its receipt of a Registration Request, as otherwise required under Section 2(a), for a period of not more than 90 days after receipt of the request of the Initiating Holders in which case the Corporation shall thereafter use its best efforts to file the registration statement within 150 days after its receipt of the Registration Request; provided, however, that the Corporation may not utilize this fight more than once in any 12-month period.

(c) The Corporation shall not be obligated to file a registration statement to effect any registration, qualification or compliance pursuant to Section 2 during the period starting with the date 60 days prior to the Corporation's bona fide estimated date of filing (as certified to the Holders by the Corporation promptly after their Registration Request) of, and ending on the date 180 days immediately following the effective date of, any registration statement pertaining to securities of the Corporation, including any securities registered pursuant

to Section. 2 (other than a registration of securities in a Rule 145 transaction or with respect to a stock or option plan or other employee benefit plan), provided that the Corporation is actively employing its best efforts, during such period, to cause such registration statement to become effective.

4. Corporation Registration. If at any time the Corporation proposes to register (including for this purpose a registration effected by the Corporation for stockholders other than the Holders) any of its stock or other equity securities under the Act in connection with the public offering of such securities solely for cash (other than a registration relating solely to the sale of securities to participants in a Corporation stock or option plan or other employee benefit plan, a registration relating solely to a Rule 145 transaction on a form inapplicable to the sale of Registrable Securities, or a registration on any form which does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities), the Corporation shall, at such time, promptly give each Holder written notice of such registration. Upon the written request of each Holder given within 20 days after mailing of such notice by the Corporation, the Corporation shall, subject to the provisions of Section 8, cause to be registered under the Act all of the Registrable Securities that each such Holder has requested to be registered. Notwithstanding the foregoing, should the Corporation, prior to the sale of any shares pursuant to a registration statement described above in this Section 4, decide to deregister or not proceed with such offering, the Corporation shall have no further obligation to the Holders with respect to such offering or registration except to promptly notify them of its decision.

5. Obligations of the Corporation. Whenever required under this Amended Registration Rights Agreement to effect the registration of any Registrable Securities, the Corporation shall, as expeditiously as reasonably possible:

(a) Prepare and file with the SEC a registration statement with respect to such Registrable Securities and use its best efforts to muse such registration statement to become effective, and upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for up to 90 days.

(b) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Act with respect to the disposition of all securities covered by such registration statement.

(c) Furnish to the Holders such numbers of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them.

(d) Use its best efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders, provided that the Corporation shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

(e) In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter of such offering. Each Holder participating in such underwriting shall also enter into and perform its obligations under such an agreement.

(f) Notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing.

(g) Use its best efforts to furnish, at the request of any Holder requesting registration of Registrable Securities pursuant to Section 2 of this Amended Registration Rights Agreement, on the date that such Registrable Securities are delivered to the underwriters for sale in connection with a registration pursuant to this Amended Registration Rights Agreement, if such securities are being sold through underwriters, or, if such securities are not being sold through underwriters, on the date that the registration statement with respect to such securities becomes effective, (i) an opinion, dated such date, of the counsel representing the Corporation for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering, addressed to the underwriters, if any, and to the Holders requesting registration of Registrable Securities and (ii) a letter dated such date, from the independent certified public accountants of the Corporation, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering, addressed to the underwriters, if any, and to the Holders requesting registration of Registrable Securities.

6. Furnish Information. It shall be a condition precedent to the obligations of the Corporation to take any action pursuant to this Amended Registration Rights Agreement with respect to the Registrable Securities of any selling Holder that such Holder shall furnish to the Corporation such information regarding itself, the Registrable Securities held by it, and the intended method of disposition of such securities as shall be required to effect the registration of such Holder's Registrable Securities.

7. Expenses of Registration. The Corporation shall bear and pay all expenses incurred in connection with any registration, filing or qualification of Registrable Securities with respect to the registrations pursuant to Section 2 or Section 4 for each Holder (which fight may be assigned as provided in Section 13), including, without limitation, all registration, filing, and qualification fees, printers' and accounting fees relating or apportionable thereto and the fees and disbursements of one counsel for the selling Holders, but excluding underwriting discounts and commissions relating to Registrable Securities.

8. Underwriting Requirements.

(a) In connection with any offering involving an underwriting of shares of the Corporation, the Corporation shall not be required under Section 4 to include any of the Holders' securities in such underwriting unless they accept the terms of the underwriting as agreed upon

between the Corporation and the underwriters selected by it, and then only in such quantity, which may be none, as will not, in the good faith opinion of the underwriters, materially jeopardize the success of the offering by the Corporation. If the total amount of securities, including Registrable Securities, requested by stockholders to be included in such offering exceeds the amount of securities sold other than by the Corporation that the underwriters reasonably believe compatible with the success of the offering, then the Corporation shall be required to include in the offering only that number, which may be none, of such securities, including Registrable Securities, which the underwriters believe will not materially jeopardize the success of the offering (the securities so included to be apportioned pro rata among the selling Holders according to the total amount of securities entitled to be included therein owned by each selling Holder or in such other proportions as shall mutually be agreed to by such selling Holders).

(b) With respect to any underwriting of shares to be registered under Section 2, or an underwriting of shares to be registered under Section 12 if the Holders of a majority of the then outstanding Registrable Securities have requested registration thereunder, such Holders shall have the fight to designate the managing underwriter or underwriters, who shall be of recognized national standing and shall be reasonably acceptable to the Corporation, which acceptance shall not be unreasonably withheld or delayed. In all other circumstances under such Sections and in connection with registrations under Section 4, the Corporation shall have the fight to designate the managing underwriter or underwriters, who shall be of recognized national standing.

9. Delay of Registration. No Holder shall have any fight to obtain or seek an injunction restraining or otherwise delaying any such registration as the result of any controversy that might arise with respect to the interpretation or implementation of this Amended Registration Rights Agreement.

10. Indemnification. In the event any Registrable Securities are included in a registration statement under this Amended Registration Rights Agreement:

(a) To the extent permitted by law, the Corporation will indemnify and hold harmless each Holder, any underwriter (as defined in the Act) for such Holder and each person, if any, who controls such Holder or underwriter within the meaning of the Act or the Securities Exchange Act of 1934, as amended (the "1934 Act"), against any losses, claims, damages, or liabilities (joint or several) to which they may become subject under the Act, the 1934 Act or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a "Violation"): (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (iii) any violation or alleged violation by the Corporation of the Act, the 1934 Act, any state securities law or any rule or regulation promulgated under the Act, the 1934 Act or any state securities law; and Corporation will pay, as incurred, to each such Holder, underwriter or controlling person, any legal or other expense reasonably incurred by them in connection with investigating or defending any such loss, claim,

damage, liability, or action; provided, however, that the indemnity agreement contained in this subsection 10(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability, or action if such settlement is effected without the consent of the Corporation, which consent shall not be unreasonably withheld, nor shall the Corporation be liable in any such case for any such loss, claim, damage, liability, or action to the extent that' it arises out of or is based upon a violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by any such Holder, underwriter or controlling person; and provided further, that reimbursement by the Corporation of attorneys' fees incurred by Holders or such controlling persons in investigating or defending any such loss; claim, damage, liability or action, shall be limited to fees of one counsel representing such Holders and controlling persons jointly.

(b) To the extent permitted by law, each selling Holder will indemnify and hold harmless the Corporation, each of its directors, each of its officers who has signed the registration statement, each person, if any, who controls the Corporation within the meaning of the Act, any underwriter, any other Holder selling securities in such registration statement and any controlling person of any such underwriter or other Holder, against any losses, claims, damages, or liabilities (joint or several) to which any of the foregoing persons may become subject, under the Act, the 1934 Act or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder expressly for use in connection with such registration; and each such Holder will pay, as incurred, any legal or other expense reasonably incurred by any person intended to be indemnified pursuant to this subsection 10(b), in connection with investigating or defending any such loss, claim, damage, liability, or action; provided, however, that the indemnity agreement contained in this subsection 10(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld, and provided further that no Holder shall have any liability under this Section 10(b) in excess of the net pros actually received by such Holder in the relevant public offering.

(c) Promptly after receipt by an indemnified party under this Section 10 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 10, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the fight to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party (together with all other indemnified parties that may be represented without conflict by one counsel) shall have the fight to retain its own counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such prying. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, to the extent materially prejudicial to the indemnifying party's ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section 10, but the omission so to deliver written

notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 10; and

(d) The obligations of the Corporation and Holders under this Section 10 shall survive the completion of any offering of Registrable Securities in a registration statement under this Amended Registration Rights Agreement.

11. Reports Under Securities Exchange Act of 1934. With a view of making available to the Holders the benefits of Rule 144 and Rule 144A promulgated under the Act and any other rule or regulation of the SEC that may at any time permit a Holder to sell securities of the Corporation to the public without registration or pursuant to a registration on Form S-3, the Corporation agrees to use its best efforts to:

(a) make and keep public information available, as those terms are understood and defined in SEC Rule 144, at all times after 90 days after the effective date of the first registration statement filed by the Corporation for the offering of its equity securities to the general public;

(b) take all such action, including, without limitation, the furnishing of all such information as a Holder or a proposed transferee may reasonably request, to enable such Holder to sell securities of the Corporation pursuant to SEC Rule 144A;

(c) take all such action, including the voluntary registration of its Common Stock under Section 12 of the 1934 Act, as is necessary to enable the Holders to utilize Form S-3 for the sale of their Registrable Securities, such action to be taken as soon as practicable after the end of the first fiscal year in which a registration statement on Form S-1 or other applicable form is filed by the Corporation for the offering of its securities to the general public is declared effective;

(d) file with the SEC in a timely manner all reports and other documents required of the Corporation under the Act and the 1934 Act; and

(e) furnish to any Holder, so long as the Holder owns any Registrable Securities, forthwith upon request (i) a written statement by the Corporation that it has complied with the reporting requirements of SEC Rule 144 (at any time after 90 days after the effective date of the first registration statement filed by the Corporation), the Act and the 1934 Act (at any time after it has become subject to such reporting requirements), or that it qualified as a registrant whose securities may be resold pursuant to Form S-3 (at any time after it so qualifies), (ii) a copy of the most recent annual or quarterly report of the Corporation and such other reports and documents so filed by the Corporation, and (iii) such other information as may be reasonably requested in availing any Holder of any rule or regulation of the SEC which permits the selling of any such securities without registration or pursuant to such form.

12. Form S-3 Registration. In case the Corporation shall receive from any Holder or Holders a written request or requests that the Corporation effect a registration on Form S-3 and any related qualification or compliance with respect to all or a part of the Registrable Securities owned by such Holder or Holders, the Corporation will:

(a) promptly give written notice of the proposed registration, and any related qualification or compliance, to all other Holders; and

(b) as soon as practicable, effect such registration and all such qualifications and compliances as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Holders or Holders' Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any other Holder or Holders joining in such request as are specified in a written request given within 20 days after receipt of such written notice from the Corporation; provided, however, that the Corporation shall not be obligated to effect any registration, qualification or compliance, pursuant to this Section 12: (1) if Form S-3 is not available for such offering by the Holders; (2) if the Holders, together with the holders of any other securities of the Corporation entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at an aggregate price to the public (net of any underwriters' discounts or commissions) of less than $500,000; (3) if the Corporation shall furnish to the Holders a certificate signed by Steven Sherman as an authorized officer of the Corporation, or his replacement, stating that in the good faith judgment of the Board of Directors of the Corporation, it would be seriously detrimental to the Corporation and its stockholders for such Form S-3 Registration to be effected at such time, in which event the Corporation shall have the fight to defer the filing of the Form S-3 registration statement for a period of not more than 90 days after receipt of the request of the Holder or Holders under this Section 12; provided, however, that the Corporation shall not utilize this fight more than once in any 12 month period; (4) if the Corporation has, within the 12 month period preceding the date of such request, already effected two registrations on Form S-3 for the Holders pursuant to this Section 12; or (5) in any particular jurisdiction in which the Corporation would be required to qualify to do business or to execute a general consent to service of pros in effecting such registration, qualification or compliance.

(c) Subject to the foregoing, the Corporation shall file a registration statement covering the Registrable Securities and other securities so requested to be registered as soon as practicable after receipt of the request or requests of the Holders. All expenses incurred in connection with a registration requested pursuant to Section 12, including (without limitation) all registration, filing, qualification, printer's and accounting fees and the reasonable fees and disbursements of counsel for the selling Holder or Holders and counsel for the Corporation, shall be borne by the Corporation.

(d) The restriction on registrations pursuant to Section 2 provided for in subsection 2(d) shall apply equally to a registration under this Section 12.

(e) The Corporation is obligated to effect only two (2) registrations pursuant to this Section 12.

13. Assignment of Registration Rights. The rights to cause the Corporation to register Registrable Securities pursuant to this Amended Registration Rights Agreement may be assigned by a Holder to a legally and contractually permitted transferee or assignee provided the Corporation is, within a reasonable time after such transfer, furnished with written notice of the name and address of such transferee or assignee and the securities with respect to which such registration fights are being assigned; and provided, further, that such assignment shall be

effective only if immediately following such transfer the further disposition of such securities by the transferee or assignee is restricted under the Act.

14. Limitations on Subsequent Registration Rights. From and after the date of this Amended Registration Rights Agreement, but subject to the provisions of Section 16, the Corporation shall not, without the prior written consent of the Holders of a majority of the outstanding Registrable Securities and securities convertible into or exercisable for Registrable Securities, enter into any agreement with any holder or prospective holder of any securities of the Corporation which would allow such holder or prospective holder (a) to include such securities in any registration filed under Section 2 hereof, unless under the terms of such agreement, such holder or prospective holder may include such securities in any such registration only to the extent that the inclusion of his securities will not reduce the amount of the Registrable Securities of the Holders which is included or (b) to make a demand registration which could result in such registration statement being declared effective prior to the earlier of either of the dates set forth in subsection 2(a) or within 180 days of the effective date of any registration effected pursuant to Section 2. The limitation on subsequent registration rights contained in this Section 14 shall not apply to the Additional Shares, the Follow-On Shares or the NWT Conversion Shares.

15. "Market Stand-Off" Agreement. Each Investor hereby agrees that, during the period of duration (not to exceed 180 days) specified by the Corporation and an underwriter of Common Stock or other securities of the Corporation, following the effective date of a registration statement of the Corporation filed under the Act, it shall not, to the extent requested by the Corporation and such underwriter, sell or otherwise transfer or dispose of (other than to donees who agree to be similarly bound) any Common Stock held by it at any time during such period except Common Stock included in such registration; provided, however, that:

(a) such agreement shall be applicable only to registration statements of the Corporation which cover Common Stock (or other securities) to be sold on its behalf to the public in a bona fide firm commitment underwritten offering and, after the first registration statement under the Act, shall be applicable only to Investors holding securities representing one percent or more of the equity or voting power of the Corporation; and

(b) all other persons with registration rights (whether or not pursuant to this Amended Registration Rights Agreement) and, except in the case of the first registration statement filed under the Act, without the incentive of the grant of additional participation or other special rights, all holders of one percent or more of the equity or voting power of the Corporation, enter into similar agreements.

In order to enforce the foregoing covenant, the Corporation may impose stop-transfer instructions with respect to the Registrable Securities of each Investor (and the shares or securities of every other person subject to the foregoing restriction) until the end of such period. Notwithstanding anything else herein (i) no transferee, assignee or successor of a Investor shall be bound by this Section 15 if such transferee, assignee or successor has not been transferred registration rights hereunder and (ii) the obligations of Investors under this Section 15 shall expire upon expiration of the fights of the Holders under Sections 2 and 4.

16. Accession. Any Additional Investors and any purchasers of Follow-on Shares shall automatically become an Investor hereunder by delivering to the Corporation a written instrument in the form of Exhibit A hereto, by which such Additional Investor or purchaser of Follow-on Shares shall thereby agree to be bound by the obligations imposed under this Amended Registration Rights Agreement, whereupon such Additional Investor or purchaser of Follow-on Shares shall automatically become a party to this Amended Registration Rights Agreement and shall thereupon be deemed an "Investor" for all purposes of this Amended Registration Rights Agreement.

17. Governing Law. This Amended Registration Rights Agreement shall be governed by and construed under the laws of the State of Delaware without regard to its principles governing conflicts of laws.

18. Entire Agreement; Amendment.

(a) This Amended Registration Rights Agreement constitutes the full and entire understanding and agreement between the parties with respect to the subject matter hereof. Any provisions of this Amended Registration Rights Agreement may be amended, and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively) only by written consent of the Corporation and the holders of at least a majority of the Registrable Securities and securities convertible into or exercisable for Registrable Securities and then outstanding. Any amendment or waiver effected in accordance with this paragraph shall be binding upon each holder of any Registrable Securities then outstanding, each future holder of all such securities, and the Corporation.

19. Notices. All notices, requests, consents, demands and other communications required or permitted under this Amended Registration Rights Agreement shall be in writing and shall be deemed to have been duly given, made and received (a) when delivered against receipt, (b) upon transmitter's confirmation of the receipt of a facsimile transmission, which shall be followed by an original sent otherwise in accordance with this Section 19, (c) upon confirmed delivery by a standard overnight carrier, or (d) if to a U.S. resident, upon expiration of three business days after the day when deposited in the U.S. mail, first class postage prepaid, addressed in accordance with Section 20 of the Stock Purchase Agreement.

20. Counterparts. This Amended Registration Rights Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Any such counterpart may contain one or more signature pages.

21. Severability. In the event that any provision of this Amended Registration Rights Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Amended Registration Rights Agreement shall continue in full force and effect without said provision.

22. Captions. The captions and headings to Sections of this Amended Registration Rights Agreement have been inserted for identification and reference purposes only and shall not

be used to construe the meaning or the interpretation of this Amended Registration Rights Agreement.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, this Amended Registration Rights Agreement has been duly executed under seal as of the date first written above.

NOVATEL WIRELESS, INC.

By:

Its:

ADVENT PARTNERS LIMITED PARTNERSHIP

By: Advent International Corporation,
General Partner

By:

Its:

ADVENT ISRAEL LIMITED PARTNERSHIP

By: Advent International Limited
Partnership,
General Partner

By: Advent International Corporation,
General Partner

By:

Its:

ADVENT ISRAEL (BERMUDA) LIMITED PARTNERSHIP

By: Advent International Limited Partnership,
General Partner

By: Advent International Corporation,
General Partner

By:

Its:

DIGITAL MEDIA & COMMUNICATIONS, LIMITED PARTNERSHIP

By: Advent International Limited Partnership,
General Partner

By: Advent International Corporation,
General Partner

By:

Its:

GOLDEN GATE DEVELOPMENT AND INVESTMENT
LIMITED PARTNERSHIP

By: Advent International Limited
Partnership,
General Partner

By: Advent International Corporation,
General Partner

By:

Its:

AMBROSE TAM

Ambrose Tam

BT INVESTMENT PARTNERS, INC.

By:

Its:

CARL BILDNER

Carl Bildner

DAVID S. OROS

David S. Oros

DEE ANDERSON

Dee Anderson

DIGICOM CELLULAR INTERNATIONAL CO., LTD

By:

Its:

ECOLOGY MANAGEMENT CORPORATION

By:

Its:

ELLIOT J. TUCKEL

Elliot J. Tuckel

GSM CAPITAL LIMITED PARTNERSHIP

By: Telcom Management Limited Partnership,
General Partner

By: Telcom Investments Inc.,
General Partner

By:

Its:

HARCOL LIMITED PARTNERSHIP

By:

Its:

JOAN LEVINSON

Joan Levinson

JONG TAE CHOI

Jong Tae Choi

KATHRYN E. COOPERMAN

Kathryn E. Cooperman

NADEAU TRAIL, INC.

By:

Its:

P.S. CAPITAL L.L.C.

By:

Its:

STEVEN SHERMAN

Steven Sherman

THOMAS BEAL

Thomas Beal

VENTURES WEST MANAGEMENT, INC.

By:

Its:

BANK OF MONTREAL CAPITAL CORPORATION

By: Ventures West Management TIP Inc.,
Manager

By:

Its:

ROBIN LOUIS

Robin Louis

SAM ZNAIMER

Sam Znaimer

WONG'S SHERMAN PARTNERS

By:

Its:

WORKING VENTURES CANADIAN FUND INC.

By:

Its:

ROBERT COREY

Robert Corey

ROGER HARTMAN

Roger Hartman

ROLLING PROFIT HOLDINGS, LTD

By:

Its:

SHERMAN CAPITAL PARTNERS, L.L.C.

By:

Its:

EXHIBIT A

SCHEDULE OF INVESTORS

EXHIBIT 10.5

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[NOVATEL WIRELESS LOGO]

AMENDED AND RESTATED

INVESTORS' RIGHTS AGREEMENT

JUNE 30, 2000

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NOVATEL WIRELESS, INC.

AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT

This Amended and Restated Investors' Rights Agreement (this "Agreement") is entered into as of June 30, 2000 by and among Novatel Wireless, Inc., a Delaware Corporation (the "Corporation") and the persons identified on Exhibit A attached hereto (the "Investors").

RECITALS

WHEREAS, certain of the Investors hold shares of the Corporation's Series C Preferred Stock, par value $0.001 per share (the "Series C Preferred Stock") and possess registration rights and information rights pursuant to the Series C Preferred Stock Investors' Rights Agreement dated as of December 31, 1999 by and between the Corporation and such Investors (the "1999 Agreement"); and

WHEREAS, the undersigned Investors who hold Series C Preferred Stock desire to terminate the 1999 Agreement and to accept the rights created pursuant hereto in lieu of the rights granted to them under the 1999 Agreement;

WHEREAS, certain Investors and the Corporation are parties to the Series D Convertible Preferred Stock and Warrant Purchase Agreement dated as of June 30, 2000 by and among the Corporation and such Investors (the "Series D Agreement"); and

WHEREAS, as a condition to the execution and delivery of the Series D Agreement, the Corporation, each Investor and holders of at least a majority of the Registrable Securities (as defined in the 1999 Agreement) and securities convertible into or exercisable for Registrable Securities then outstanding, must amend and restate the 1999 Agreement to include the Series D Investors;

NOW, THEREFORE, in consideration of the mutual agreements, covenants and conditions contained herein, the Investors who are parties to the 1999 Agreement hereby agree that the 1999 Agreement shall be superseded and replaced in its entirety by this Agreement, and the parties hereto further agree as follows:

ARTICLE 1

RESTRICTIONS ON TRANSFER; REGISTRATION RIGHTS

1.1 Definitions. As used in this Agreement:

(a) "Closing" shall mean the date of the initial sale of shares of the Corporation's Series D Preferred Stock pursuant to the Series D Agreement.

(b) "Common Stock" shall mean the Corporation's Common Stock, par value $0.001 per share.

(c) "Exchange Act" means the Securities Exchange Act of 1934, as amended, or any similar successor federal statute and the rules and regulations thereunder, all as the same shall be in effect from time to time.

(d) "Form S-3" means such form under the Securities Act as in effect on the date hereof or any successor registration form under the Securities Act subsequently adopted by the SEC which permits inclusion or incorporation of substantial information by reference to other documents filed by the Corporation with the SEC.

(e) "Holder" means any Investor who holds Registrable Securities and any holder of Registrable Securities to whom the registration rights conferred by this Agreement have been validly transferred in compliance with Sections 1.2 and 1.12 hereof.

(f) "Initiating Holders" means any Holder or Holders who holds or hold in the aggregate not less than 30% of the outstanding Registrable Securities.

(g) "Investors" means persons who purchased shares of Series D Preferred Stock pursuant to the Series D Agreement or who possessed registration rights pursuant to the 1999 Agreement immediately prior to its termination hereunder.

(h) "Other Stockholders" means persons other than the Holders who, by virtue of agreements with the Corporation, are entitled to include their securities in certain registrations hereunder.

(i) The terms "register," "registered," and "registration" refer to a registration effected by preparing and filing a registration statement or similar document in compliance with the Securities Act, and the declaration or ordering of effectiveness of such registration statement or document.

(j) "Registrable Securities" means (1) the Common Stock issuable or issued upon conversion of the Series C Preferred Stock, conversion of the Series D Preferred Stock or exercise of the Warrants, and (2) any Common Stock of the Corporation issued as (or issuable upon the conversion or exercise of any warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of the shares referenced in (1) above, excluding in all cases, however, any Registrable Securities which have been sold to the public either pursuant to a registration statement filed pursuant to the Securities Act or Rule 144 adopted thereunder, or which have been sold in a private transaction in which the transferor's rights under this Agreement are not assigned.

(k) The number of shares of "Registrable Securities then outstanding" shall be determined by the number of shares of Common Stock then outstanding which are, and the number of shares of Common Stock issuable pursuant to then convertible or exercisable securities which are, Registrable Securities.

(l) "Restricted Securities" means any Registrable Securities required to bear the legend set forth in Section 1.2 hereof.

(m) "Rule 144" means Rule 144 as promulgated by the SEC under the Securities Act, as such Rule may be amended from time to time, or any similar successor rule that may be promulgated by the SEC.

(n) "Rule 145" means Rule 145 as promulgated by the SEC under the Securities Act, as such Rule may be amended from time to time, or any similar successor rule that may be promulgated by the SEC.

(o) "SEC" means the Securities and Exchange Commission or any other federal agency at the time administering the Securities Act.

(p) "Securities Act" means the Securities Act of 1933, as amended, or any similar federal statute, and the rules and regulations of the Securities and Exchange Commission thereunder, all as the same shall be in effect at the time.

(q) "Series C Agreement" means the Series C Convertible Preferred Stock and Warrant Purchase Agreement dated December 31, 1999 between the Corporation and certain of the Investors.

(r) "Series D Preferred Stock" means the shares of the Corporation's Series D Convertible Preferred Stock, par value $0.001 per share.

(s) "Warrants" means the 5-year warrants to purchase Common Stock at an exercise price of $10.00 per share, granted pursuant to the Series C Agreement and the 5-year warrants to purchase Common Stock at an exercise price of $17.25 per share, granted pursuant to the Series D Agreement.

1.2 Restrictions on Transfer.

(a) Each Holder agrees not to make any disposition of all or any portion of the Registrable Securities unless and until the transferee has agreed in writing for the benefit of the Corporation to be bound by this Section 1.2 (unless such disposition of Registrable Securities is to the general public), provided and to the extent such Section is then applicable, and:

(i) there is then in effect a registration statement under the Securities Act covering such proposed disposition and such disposition is made in accordance with such registration statement; or

(ii) unless such disposition of Registrable Securities is to the general public, (A) such Holder shall have notified the Corporation of the proposed disposition and shall have furnished the Corporation with a detailed statement of the circumstances surrounding the proposed disposition, and (B) if reasonably requested by the Corporation, such Holder shall have furnished the Corporation with an opinion of counsel, reasonably satisfactory to the Corporation, that such disposition will not require registration of such shares under the Securities Act, provided that the requirements of this Section 1.2(a)(ii) shall not apply to a disposition made in compliance with Rule 144A under the Securities Act if, before or contemporaneously with such disposition, the Holder supplies the Corporation with a written certificate describing the disposition and certifying that it is

made in compliance with Rule 144A under the Securities Act and with the transferee's written agreement to be bound by Section 1.2 hereof.

(iii) Notwithstanding the provisions of paragraphs (i) and (ii) above, no such registration statement or opinion of counsel shall be necessary for a transfer by a Holder which is (A) a partnership to its partners or retired partners in accordance with their partnership interests, (B) a corporation to its shareholders in accordance with their interests in the corporation, (C) a limited liability company to its members or former members in accordance with their interest in the limited liability company, (D) to the Holder's family member or trust for the benefit of an individual Holder, or (E) to the Holder's affiliates, provided in each of the above cases, that the transferee will be subject to the terms of this Section 1.2 to the same extent as if such transferee were an original Holder hereunder.

(b) Each certificate representing Registrable Securities shall (unless otherwise permitted by the provisions of this Agreement) be stamped or otherwise imprinted with a legend substantially similar to the following (in addition to any legend required under applicable state securities laws):

THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD OR TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER SUCH ACT OR UNLESS THE CORPORATION HAS RECEIVED AN OPINION OF COUNSEL OR OTHER EVIDENCE, SATISFACTORY TO THE CORPORATION AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED.

(c) The Corporation shall be obligated to reissue promptly unlegended certificates at the request of any Holder thereof if the Holder shall have obtained an opinion of counsel at such Holder's expense (which counsel may be counsel to the Corporation) reasonably acceptable to the Corporation to the effect that the securities proposed to be disposed of may lawfully be so disposed of without registration, qualification or legend. If such disposition is to the general public (either through a registration or pursuant to Rule 144 under the Securities Act), then the Corporation shall obtain an opinion of counsel at the corporation's expense, (provided the Corporation is provided with the supporting documentation and information deemed necessary by such counsel), to the effect that the legend may be removed and shall deliver such opinion to the transfer agent for the common stock.

(d) Any legend endorsed on an instrument pursuant to applicable state securities laws and the stop-transfer instructions with respect to such securities shall be removed upon receipt by the Corporation of an order of the appropriate blue sky authority authorizing such removal.

1.3 Demand Registration.

(a) Request for Registration. If the Corporation shall receive from Initiating Holders at any time or times not earlier than the earlier of (i) two years after the date of the 1999 Agreement (in the case of Initiating Holders who are Holders of Series C Preferred Stock) and two years after the date of this Agreement (in the case of Initiating Holders who are Holders of Series D Preferred Stock), or (ii) one year after the effective date of the first registration statement filed by the Corporation covering an underwritten public offering of securities of the Corporation to the general public ("IPO") (other than a registration statement relating either to the sale of securities to employees of the Corporation pursuant to a stock option, stock purchase or similar plan or a SEC Rule 145 transaction), a written request (a "Registration Request") that the Corporation file a registration statement under the Securities Act covering all or a portion of the Registrable Securities the aggregate proceeds of which exceed $7,500,000, then the Corporation shall (i) within 10 days of the receipt thereof, give written notice of such request to all other Holders, and (ii) subject to the limitations in Section 1.3(b), as soon as practicable use its best efforts to effect such registration under the Securities Act of all Registrable Securities which the Holders specify in a written request received by the Corporation within 10 days of the mailing or delivery of such notice by the Corporation.

(b) Limitations on Registration. Notwithstanding any provision of this Agreement, the Corporation shall not be obligated to effect, or to take any action to effect, any such registration pursuant to this Section 1.3:

(i) In any particular jurisdiction in which the Corporation would be required to execute a general consent to service of process in effecting such registration, qualification or compliance, unless the Corporation is already subject to service in such jurisdiction and except as may be required by the Securities Act;

(ii) After the Corporation has initiated two (2) such registrations pursuant to Section 1.3 (counting for these purposes only registrations which have been declared or ordered effective);

(iii) If the Corporation shall furnish to Holders requesting a registration statement pursuant to this Agreement, a certificate signed by the President of the Corporation stating that in the good faith judgment of the Board of Directors of the Corporation, it would be seriously detrimental to the Corporation and its stockholders for such registration statement to be filed at the time requested, and it is therefore necessary to defer the filing of such registration statement, the Corporation shall have the right to defer such filing and notice, as otherwise required under this Agreement, for a period of not more than 180 days after receipt of the request of the Initiating Holders; provided, however, that the Corporation may not utilize this right more than once in any 12 month period; or

(iv) During the period starting with the date 60 days prior to the Corporation's good faith estimated date of filing of, and ending on the date 180 days immediately following the effective date of, any registration statement pertaining to securities of the Corporation, including any securities registered pursuant to Section 1.3

(other than a registration of securities in a Rule 145 transaction or with respect to a stock or option plan or other employee benefit plan), provided that the Corporation is actively employing in good faith all reasonable efforts during such period to cause such registration statement to become effective and provided that the Holders of Registrable Securities were entitled to request inclusion of their Registrable Securities to the extent they are otherwise entitled to pursuant to the terms of this Agreement;

(v) If the Initiating Holders propose to dispose of shares of Registrable Securities which may be immediately registered on Form S-3 pursuant to a request made under Section 1.5 hereof;

(vi) If the Initiating Holders do not request that such offering be firmly underwritten by underwriters selected by the Initiating Holders (subject to the consent of the Corporation, which consent shall not be unreasonably withheld);

(vii) If the Corporation and the Initiating Holders are unable to obtain the commitment of the underwriter described in clause (vi) above to firmly underwrite the offer.

The registration statement filed pursuant to the request of the Initiating Holders may, subject to the provisions of Sections 1.3(d) and 1.13 hereof, include other securities of the Corporation, with respect to which registration rights have been granted, and may include securities of the Corporation sold for the account of the Corporation.

(c) Underwriting. The right of any Holder to registration pursuant to Section 1.3 shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting (unless otherwise mutually agreed by a majority in interest of the Initiating Holders and such Holder with respect to such participation and inclusion) to the extent provided herein. A Holder may elect to include in such underwriting all or a part of the Registrable Securities such Holder holds.

(d) Procedures. If the Corporation shall request inclusion in any registration pursuant to Section 1.3 of securities being sold for its own account, or if other persons shall request inclusion in any registration pursuant to Section 1.3, the Initiating Holders shall, on behalf of all Holders, offer to include such securities in the underwriting and may condition such offer on their acceptance of the further applicable conditions of this Article 1 (including Section 1.11). The Corporation shall (together with all Holders and other persons proposing to distribute their securities through such underwriting) enter into an underwriting agreement in customary form with the representative of the underwriter or underwriters selected for such underwriting by a majority in interest of the Initiating Holders, which underwriters are reasonably acceptable to the Corporation. Notwithstanding any other provision of this Agreement, if the representative of the underwriters advises the Initiating Holders in writing that marketing factors require a limitation on the number of shares to be underwritten, the number of shares to be included in the underwriting or registration shall be allocated, first, to the holders of Registrable Securities pro rata on the basis of the number of Registrable Securities that would be sold by such Holders, and second, as set forth in Section 1.13 hereof. If a person who has requested inclusion in such registration as provided above does not agree to the terms of any such underwriting, such person

shall be excluded therefrom by written notice from the Corporation, the underwriter or the Initiating Holders. The securities so excluded shall also be withdrawn from registration. If shares are so withdrawn from registration and if the number of shares to be included in such registration was previously reduced as a result of marketing factors pursuant to this Section 1.3 or otherwise, then the Corporation shall offer to all holders who have retained rights to include securities in the registration the right to include additional securities in the registration in an aggregate amount equal to the number of shares so withdrawn, with such shares to be allocated among such Holders requesting additional inclusion in accordance with this Section 1.3.

1.4 Corporation Registration.

(a) If at any time after the effective date of the first registration statement filed by the Corporation covering an underwritten public offering of securities of the Corporation to the general public, the Corporation determines to register (including for this purpose a registration effected by the Corporation for stockholders other than the Holders) any of its stock or other equity securities under the Securities Act in connection with the public offering of such securities (other than a registration relating solely to employee benefit plans, or a registration relating to a corporate reorganization or other transaction on Form S-4, or a registration on any form which does not permit secondary sales or does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities), the Corporation shall (i) promptly give each Holder written notice of such registration and (ii) use its best efforts to include in such registration, subject to the provisions of Section 1.4(b) below, and in any underwriting involved therein, all the Registrable Securities specified in a written request or requests made by any Holder and received by the Corporation within ten (10) days after the written notice from the Corporation described in clause (i) above is mailed or delivered by the Corporation. Notwithstanding the foregoing, should the Corporation, prior to the sale of any shares pursuant to a registration statement described above in this Section 1.4, decide to deregister or not proceed with such offering, the Corporation shall have no further obligation to the Holders with respect to such offering or registration except to promptly notify them of its decision.

(b) Underwriting. If the registration of which the Corporation gives notice is for a registered public offering involving an underwriting, the Corporation shall so advise the Holders as part of the written notice given pursuant to Section 1.4(a). In such event, the right of any Holder to registration pursuant to this Section 1.4 shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall (together with the Corporation and the other holders of securities of the Company with registration rights to participate therein distributing their securities through such underwriting) enter into an underwriting agreement in customary form with the representative of the underwriter or underwriters selected by the Corporation.

Notwithstanding any other provision of this Section 1.4, if the representative of the underwriters advises the Corporation in writing that marketing factors require a limitation on the number of shares to be underwritten, the representative may, subject to the limitations set forth below, exclude all Registrable Securities from, or limit the number of Registrable Securities to be included in, the registration and underwriting. The Corporation shall so advise

all holders of securities requesting registration, and the number of shares of securities that are entitled to be included in the registration and underwriting shall be allocated as set forth in Section 1.13. If any person does not agree to the terms of any such underwriting, such person shall be excluded therefrom by written notice from the Corporation or the underwriter. Any Registrable Securities or other securities excluded or withdrawn from such underwriting shall be withdrawn from such registration.

If shares are so withdrawn from the registration and if the number of shares of Registrable Securities to be included in such registration was previously reduced as a result of marketing factors, the Corporation shall then offer to all persons who have retained the right to include securities in the registration the right to include additional securities in the registration in an aggregate amount equal to the number of shares so withdrawn, with such shares to be allocated among the persons requesting additional inclusion in accordance with Section 1.13 hereof.

1.5 Form S-3 Registration. If, after the Corporation has qualified for registration on Form S-3 or any comparable or successor form after its IPO, the Corporation shall receive from any Holder or Holders a written request or requests that the Corporation effect a registration on Form S-3 and any related qualification or compliance with respect to all or a part of the Registrable Securities owned by such Holder or Holders (such request shall be in writing and shall state the number of shares of Registrable Securities to be disposed of and the intended methods of disposition by such Holder or Holders), the Corporation will:

(a) promptly give written notice of the proposed registration, and any related qualification or compliance, to all other Holders; and

(b) as soon as practicable, use its best efforts to effect such registration and all such qualifications and compliances as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Holder's or Holders' Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any other Holder or Holders joining in such request as are specified in a written request given within 10 days after receipt of such written notice from the Corporation; provided, however, that the Corporation shall not be obligated to effect any registration, qualification or compliance (i) if Form S-3 is not available for such offering by the Holders; (ii) if the Holders, together with the holders of any other securities of the Corporation entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at an aggregate price to the public of less than $1,000,000; (iii) if the Corporation shall furnish to the Holders a certificate signed by the President of the Corporation stating that in the good faith judgment of the Board of Directors of the Corporation, it would be seriously detrimental to the Corporation and its stockholders for such Form S-3 registration to be effected at such time, in which event the Corporation shall have the right to defer the filing of the Form S-3 registration statement for a period of not more than 180 days after receipt of the request of the Holder or Holders under this Section 1.5; provided, however, that the Corporation shall not utilize this right more than once in any 12 month period; (iv) in the circumstances described in clauses (i) and (iv) of Section 1.3(b) hereof; or (v) if the Corporation has, within the 12-month period preceding the date of such request, already effected one such registration on Form S-3 in such period.

(c) If a request complying with the requirements of Section 1.5(a) hereof is delivered to the Corporation, the provisions of Section 1.3(b)(i), (iii) and (iv) hereof shall apply to such registration. If the registration is for an underwritten offering, the provisions of Section 1.3(c) and (d) hereof shall apply to such registration.

(d) Notwithstanding Section 1.7 of this Agreement, the Corporation shall be required to pay the Registration Expenses in connection with only two (2) registrations pursuant to this Section 1.5 and the Holders shall pay the Registration Expenses in connection with any additional registrations pursuant to this Section 1.5.

1.6 Obligations of the Corporation. Whenever required under this Agreement to effect the registration of any Registrable Securities, the Corporation shall promptly use its best efforts to:

(a) Prepare and file with the SEC a registration statement with respect to such Registrable Securities and use its best efforts to cause such registration statement to become effective, and upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for up to 120 days or until the Holder or Holders have completed the distribution described in the registration relating thereto, whichever first occurs; provided however, that (i) such 120-day period shall be extended for a period of time equal to the period the Holder refrains from selling any securities included in such registration at the request of an underwriter of Common Stock (or other securities) of the Corporation; and (ii) in the case of any registration of Registrable Securities on Form S-3 which are intended to be offered on a continuous or delayed basis, such 120-day period shall be extended, if necessary, to keep the registration statement effective until all such Registrable Securities are sold, however, in no event longer than one year from the effective date of the registration statement and provided that Rule 145, or any successor rule under the Securities Act, permits an offering on a continuous or delayed basis, and provided further that applicable rules of the Securities Act governing the obligation to file a post-effective amendment permit, in lieu of filing a post-effective amendment that (I) included any prospectus required by Section 10(a)(3) of the Securities Act or (II) reflects facts or events representing a material or fundamental change in the information set forth in the registration statement, the incorporation by reference of information required to be included in (I) and (II) above to be contained in periodic reports filed pursuant to Section 13 or 15(d) of the Exchange Act in the registration statement.

(b) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement.

(c) Furnish to the Holders such number of prospectuses, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents, records and information as they may reasonably request in order to facilitate the disposition of Registrable Securities held by them.

(d) Register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders, provided that the Corporation shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

(e) In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter of such offering. Each Holder participating in such underwriting shall also enter into and perform its obligations under such an agreement.

(f) Notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing.

(g) Cause such Registrable Securities registered pursuant hereto to be listed on each securities exchange on which similar securities issued by the Corporation are then listed.

(h) Provide a transfer agent and registrar for all Registrable Securities not later than the effective date of such registration.

(i) Permit any Holder of Registrable Securities which, in its reasonable judgment, might be deemed to be an underwriter or a controlling person of the Corporation, to participate in the preparation of such registration statement or comparable statement.

(j) Otherwise use its best efforts to comply with all applicable rules and regulations of the SEC, and make available to its security holders, as soon as reasonably practicable, an earnings statement covering the period of at least twelve months, but not more than eighteen months, beginning with the first month after the effective date of the Registration Statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act.

(k) Obtain a cold comfort letter from the Corporation's independent public accountants in customary form and covering such matters of the type customarily covered by cold comfort letters with respect to the financial statements and certain financial information contained in the registration statement as the holders of a majority of the Registrable Securities being sold reasonably request (provided that such Registrable Securities constitute at least 10% of the securities covered by such registration statement).

In the event of the issuance by the SEC of any stop order suspending the effectiveness of a registration statement, any order preventing or suspending the use of any preliminary prospectus, or of the suspension of the qualification of securities for offering or sale in any jurisdiction, the Corporation will make reasonable efforts to obtain the withdrawal of such order or suspension.

1.7 Expenses of Registration. The Corporation shall bear and pay all expenses incurred in effecting any registration, filing or qualification of Registrable Securities with respect to both registrations pursuant to Sections 1.3, all of the registrations pursuant to Section 1.4, and two (2) registrations pursuant to Section 1.5, which expenses shall include all registration, filing, and qualification fees, printers' and accounting fees relating thereto and the reasonable fees and disbursements of one counsel (in the case of registrations pursuant to Section 1.3) for the selling Holders ("Registration Expenses"). Notwithstanding the foregoing, all underwriting discounts, selling commissions and stock transfer taxes relating to the registration of Registrable Securities and fees and disbursements of counsel for any Holder (other than the reasonable fees and disbursements of one counsel included in the foregoing sentence) shall be borne by the Holders of such securities pro rata on the basis of the number of shares of securities so registered on their behalf, as shall any other expenses in connection with the registration required to be borne by the Holders of such securities.

1.8 Indemnification.

(a) To the extent permitted by law, the Corporation will indemnify and hold harmless each Holder, any underwriter (as defined in the Securities Act) for such Holder and each person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Exchange Act, with respect to which registration, qualification has been effected pursuant to this Agreement, against any losses, claims, damages, or liabilities (joint or several) to which they may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a "Violation"): (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (iii) any violation or alleged violation by the Corporation of the Securities Act or any rule or regulation thereunder applicable to the Corporation and relating to action or inaction required of the Corporation in connection with any such registration, qualification or compliance; and the Corporation will reimburse each such Holder, underwriter or controlling person, for any legal and other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability, or action; provided, however, that the indemnity agreement contained in this Section 1.8(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability, or action if such settlement is effected without the consent of the Corporation, which consent shall not be unreasonably withheld, nor shall the Corporation be liable in any such case for any such loss, claim, damage, liability, or action to the extent that it arises out of or is based upon a Violation based upon written information furnished specifically for use in connection with such registration by any such Holder, underwriter or controlling person; and provided further, that reimbursement by the Corporation of attorneys' fees incurred by Holders or such controlling persons in investigating or defending any such loss, claim, damage, liability or action, shall be limited to fees of one counsel representing such Holders and controlling persons jointly.

(b) To the extent permitted by law, each Holder will indemnify and hold harmless the Corporation, each of its directors, each of its officers who has signed the

registration statement, each person, if any, who controls the Corporation within the meaning of the Securities Act, each underwriter of the Corporation's securities covered by such a registration statement, any other Holder selling securities in such registration statement and any controlling person of any such underwriter or other Holder, against any losses, claims, damages, or liabilities (joint or several) to which any of the foregoing persons may become subject, under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder expressly for use in connection with such registration; and each such Holder will reimburse the Corporation and each such person for any legal and other expenses reasonably incurred in connection with investigating or defending any such loss, claim, damage, liability, or action; provided, however, that the indemnity agreement contained in this Section 1.8(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld, and provided further that no Holder shall have any liability under this Section 1.8(b) in excess of the gross proceeds received by such Holder in the relevant offering.

(c) Each party entitled to indemnification under this Section 1.8 (the "Indemnified Party") shall give written notice to the party required to provide indemnification (the "Indemnifying Party") promptly after receipt by such Indemnified Party of the commencement of any claim for which indemnity may be sought, and the Indemnifying Party shall have the right to participate in, and, to the extent the Indemnifying Party so desires, jointly with any other Indemnifying Party similarly notified, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an Indemnified Party (together with all other Indemnified Parties that may be represented without conflict by one counsel) shall have the right to retain its own counsel, with the fees and expenses to be paid by the Indemnifying Party, if representation of such Indemnified Party by the counsel retained by the Indemnifying Party would be inappropriate due to actual or potential differing interests between such Indemnified Party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the Indemnifying Party, as provided herein, to the extent materially prejudicial to the Indemnifying Party's ability to defend such action, shall relieve such Indemnifying Party of any liability to the Indemnified Party under this Section 1.8, but the omission so to deliver written notice to the Indemnifying Party will not relieve it of any liability that it may have to any Indemnified Party otherwise than under this Section 1.8.

(d) If the indemnification provided for in this Section 1.8 is held by a court of competent jurisdiction to be unavailable to an Indemnified Party with respect to any loss, claim, damage or liability, or expense referred to therein, then the Indemnified Party, in lieu of indemnifying such Indemnified Party hereunder, shall contribute to the amount paid or payable by such Indemnified Party as a result of such loss, claim, damage, liability or expense in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party on the one hand and of the Indemnified Party on the other in connection with the statements or omissions that resulted in such loss, claim, damage, liability or expense as well as any other relevant equitable considerations. The relative fault of the Indemnifying Party and of the Indemnified Party shall be determined by reference to, among other things, whether the Violation or alleged Violation relates to information supplied by the Indemnifying Party or by the Indemnified Party and the

parties' relative intent, knowledge, access to information, and the opportunity to correct or prevent such Violation.

(e) Notwithstanding the foregoing, to the extent that the provisions on indemnification and contribution contained in the underwriting agreement entered into in connection with the underwritten public offering are in conflict with the foregoing provisions, the provisions in the underwriting agreement shall control.

1.9 Furnish Information. It shall be a condition precedent to the obligations of the Corporation to take any action pursuant to this Agreement with respect to the Registrable Securities of any selling Holder that such Holder shall furnish to the Corporation such information regarding itself, the Registrable Securities held by it, and the intended method of distribution of such securities as the Corporation may reasonably request and as shall be reasonably required in connection with any registration, qualification or compliance referred to in this Agreement.

1.10 Reports Under Securities Exchange Act of 1934. With a view of making available to the Holders the benefits of Rule 144 and Rule 144A promulgated under the Securities Act and any other rule or regulation of the SEC that may at any time permit a Holder to sell securities of the Corporation to the public without registration or pursuant to a registration on Form S-3, the Corporation agrees to use its best efforts to:

(a) Make and keep public information available, as those terms are understood and defined in Rule 144 under the Securities Act, at all times from and after 90 days after the effective date of the first registration statement under the Securities Act filed by the Corporation for the offering of its equity securities to the general public,

(b) File with the SEC in a timely manner all reports and other documents required of the Corporation under the Securities Act and the Exchange Act at any time it has become subject to such reporting requirements; and

(c) Furnish to any Holder, so long as the Holder owns any Registrable Securities, forthwith upon written request (i) a written statement by the Corporation that it has complied with the reporting requirements of Rule 144 (at any time after 90 days after the effective date of the first registration statement filed by the Corporation for an offering of its securities to the general public), the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements), or that it qualified as a registrant whose securities may be resold pursuant to Form S-3 (at any time after it so qualifies), (ii) a copy of the most recent annual or quarterly report of the Corporation and such other reports and documents so filed by the Corporation, and (iii) such other information as may be reasonably requested in availing any Holder of any rule or regulation of the SEC which permits the selling of any such securities without registration.

1.11 "Market Stand-Off" Agreement. Each Holder hereby agrees that, during the period (not to exceed 180 days in the case of an IPO and 90 days in all other cases) specified by the Corporation and an underwriter of Common Stock or other securities of the Corporation, following the effective date of a registration statement of the Corporation filed under the

Securities Act, it shall not, to the extent requested by the Corporation and such underwriter, sell or otherwise transfer or dispose of (other than to transferees who agree to be similarly bound) any Common Stock held by it at any time during such period except Common Stock included in such registration, including Common Stock acquired by such Holder in the public offering registered on such Registration Statement; provided however, that:

(a) such agreement shall be applicable only to registration statements of the Corporation which cover Common Stock (or other securities) to be sold on its behalf to the public in a bona fide firm commitment underwritten offering; and

(b) all officers and directors of the Corporation, all other persons with registration rights (whether or not pursuant to this Agreement) and all holders of one percent (1%) or more of the equity or voting power of the Corporation, enter into similar agreements.

In order to enforce the foregoing covenant, the Corporation may impose stop-transfer instructions with respect to the Registrable Securities of each Investor (and the shares or securities of every other person subject to the foregoing restriction) until the end of such 180-day period.

1.12 Transfer or Assignment of Registration Rights. The rights to cause the Corporation to register securities granted to a Holder by the Corporation under this Agreement may be transferred or assigned by a Holder only to a transferee or assignee, who together with its affiliates hold not less than five percent (5%) of Registrable Securities (as presently constituted and subject to subsequent adjustments for stock splits, stock dividends, reverse stock splits, and the like), provided that the Corporation is given written notice at the time of or within a reasonable time after such transfer or assignment, stating the name and address of the transferee or assignee and identifying the securities with respect to which such registration rights are being transferred or assigned, and provided further, that the transferee or assignee of such rights assumes the obligations of such Holder under this Agreement.

1.13 Allocation of Registration Opportunities. Subject to Section 1.3, in any circumstance in which all of the Registrable Securities and other shares of Common Stock of the Corporation (including shares of Common Stock issued or issuable upon conversion of any currently issued or unissued series of Preferred Stock of the Corporation) with registration rights (the "Other Shares") requested to be included in a registration on behalf of the Holders or other selling stockholders cannot be so included as a result of limitations of the aggregate number of shares of Registrable Securities and Other Shares that may be so included, the number of shares of Registrable Securities and Other Shares that may be so included shall be allocated among the Holders and other selling stockholders requesting inclusion of shares pro rata on the basis of the number of shares of Registrable Securities and Other Shares that would be held by such Holders and other selling stockholders, assuming conversion; provided however, that such allocation shall not operate to reduce the aggregate number of Registrable Securities and Other Shares to be included in such registration if any Holder or other selling stockholder does not request inclusion of the maximum number of shares of Registrable Securities and Other Shares allocated to him pursuant to the above-described procedure, in which case the remaining portion of his allocation shall be reallocated among those requesting Holders and other selling stockholders whose allocations did not satisfy their requests pro rata on the basis of the number of shares of

Registrable Securities and Other Shares which would be held by such Holders and other selling stockholders, assuming conversion, and this procedure shall be repeated until all of the shares of Registrable Securities and Other Shares which may be included in the registration on behalf of the Holders and other selling stockholders have been so allocated. The Corporation shall not limit the number of Registrable Securities to be included in a registration pursuant to this Agreement in order to include shares held by stockholders with no registration rights.

1.14 Delay of Registration. No Holder shall have any right to take any action to restrain, enjoin or otherwise delay any registration as a result of any controversy that might arise with respect to the interpretation or implementation of this Agreement.

1.15 Termination of Registration Rights.

(a) Except as set forth in subparagraph (b) below, the right of any Holder to request registration or inclusion in any registration pursuant to this Agreement shall terminate on the closing of the first Corporation-initiated registered public offering of Common Stock of the Corporation, if all shares of Registrable Securities held or entitled to be held upon conversion by such Holder may immediately be sold under Rule 144 during any 90-day period, or the earlier of (i) such date after the closing of the first Corporation-initiated registered public offering of Common Stock of the Corporation as all shares of Registrable Securities held or entitled to be held upon conversion by such Holder may immediately be sold under Rule 144 during any 90-day period and (ii) 3 years after the closing of the first Corporation-initiated registered public offering.

(b) The provisions of subparagraph (a) above shall not apply to any Holder (together with its affiliates) who owns more than five percent (5%) of the Corporation's outstanding stock until such time as such Holder (together with its affiliates) owns less than five percent (5%) of the outstanding stock of the Corporation.

(c) Limitations on Subsequent Registration Rights. From and after the date of this Agreement, the Corporation shall not, without the prior written consent of a majority in interest of the Holders, enter into any agreement with any holder of any securities of the Corporation giving such holder any registration rights on terms more favorable than the registration rights granted to the Holders hereunder.

ARTICLE 2

COVENANTS OF THE CORPORATION

Until the Corporation becomes subject to the reporting requirements of the Exchange Act, so long as any Holder owns any Registrable Security, the Corporation agrees as follows:

2.1 Basic Financial Information. The Corporation will furnish the following to (a) each Holder of Series C Preferred Stock, so long as such Holder (together with its affiliates) owns at least 370,000 shares of Series C Preferred Stock of the Corporation, or such number of shares of Common Stock of the Corporation issued upon conversion of 370,000 shares of Series C Preferred Stock of the Corporation, or any combination thereof (as presently constituted and subject to subsequent adjustment for stock splits, stock dividends, reverse stock splits,

recapitalizations and the like) who so requests in writing and (b) each Holder of Series D Preferred Stock, so long as such Holder (together with its affiliates) who owns at least five percent (5%) of the shares of Series D Preferred Stock of the Corporation, or such number of shares of Common Stock of the Corporation issued upon conversion of five percent (5%) of the shares of Series D Preferred Stock of the Corporation, or any combination thereof (as presently constituted and subject to subsequent adjustment for stock splits, stock dividends, reverse stock splits, recapitalizations and the like) who so requests in writing:

(a) As soon as practicable after the end of each fiscal year of the Corporation, and in any event within ninety (90) days thereafter, an audited consolidated balance sheet of the Corporation and its subsidiaries, if any, as at the end of such fiscal year, and an audited consolidated statements of income and cash flows of the Corporation and its subsidiaries, if any, for such year, prepared in accordance with generally accepted accounting principles consistently applied and setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail and certified by independent public accountants selected by the Corporation;

(b) As soon as practicable at the end of the first, second, and third quarterly accounting periods in each fiscal year of the Corporation, and in any event within forty five (45) days thereafter, an unaudited consolidated balance sheet of the Corporation and its subsidiaries, if any, as of the end of each such quarterly period, and unaudited consolidated statements of income and cash flows of the Corporation and its subsidiaries, if any, for such period and for the current fiscal year to date, prepared in accordance with generally accepted accounting principles consistently applied and setting forth in comparative form the figures for the corresponding periods of the previous year, subject to changes resulting from normal year-end adjustments, all in reasonable detail, except that such financial statements need not contain the notes required by generally accepted accounting principles; and

(c) Annually (and in any event no later than five (5) days before adoption by the Board of Directors of the Corporation), the annual budget and operating plan of the Corporation for each fiscal year.

2.2 Additional Information. As soon as practicable after the end of each month and in any event within thirty (30) days thereafter, the Corporation will deliver to each director of the Corporation designated by the Holders of Series C Preferred Stock and the Holders of Series D Preferred Stock, a consolidated balance sheet of the Corporation and its subsidiaries, if any, as at the end of such month and consolidated statements of income and cash flows of the Corporation and its subsidiaries, for each month and for the current fiscal year of the Corporation to date, all subject to normal year-end audits adjustments, prepared in accordance with generally accepted accounting principles consistently applied, together with a comparison of such statements to the corresponding periods of the prior fiscal year and to the Corporation's operating plan then in effect and approved by its Board of Directors.

2.3 Limitations. Anything in Article 2 of this Agreement to the contrary notwithstanding, no Holder by reason of this Agreement shall have access to any trade secrets or classified information of the Corporation. Each Holder hereby agrees to hold in confidence and trust and not to misuse or disclose any confidential information provided pursuant to this

Article 2. The Corporation shall not be required to comply with Article 2 of this Agreement in respect of any Holder whom the Corporation reasonably determines to be a competitor or an officer, employee, director or greater than five percent (5%) stockholder of a competitor.

ARTICLE 3

MISCELLANEOUS

3.1 Governing Law. This Agreement shall be governed by and construed under the laws of the State of Delaware without regard to its principles governing conflicts of laws.

3.2 Successors and Assigns. Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors and assigns of the parties hereto.

3.3 Entire Agreement; Amendment. This Agreement (including the Exhibits hereto) constitutes the full and entire understanding and agreement between the parties with respect to the subject matter hereof. Any provisions of this Agreement may be amended, and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively) only by written consent of the Corporation and the holders of at least a majority of the Registrable Securities and securities convertible into or exercisable for Registrable Securities and then outstanding. Any amendment or waiver effected in accordance with this paragraph shall be binding upon each holder of any Registrable Securities then outstanding, each future holder of all such securities, and the Corporation.

3.4 Notices. All notices, requests, consents, demands and other communications required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given, made and received (a) when delivered against receipt, (b) upon transmitter's confirmation of the receipt of a facsimile transmission, which shall be followed by an original sent otherwise in accordance with this Section 3.4, (c) upon confirmed delivery by a standard overnight carrier, or (d) if to a U.S. resident, upon expiration of three business days after the day when deposited in the U.S. mail, first class postage prepaid, addressed in accordance with Section 16 of the Series C Stock Purchase Agreement and the Series D Stock Purchase Agreement.

3.5 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Any such counterpart may contain one or more signature pages.

3.6 Rights; Severability. Unless otherwise expressly provided herein, a Holder's rights hereunder are several rights, not rights jointly held with any of the other Holders. In the event that any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without said provision.

3.7 Further Assurances. Each party agrees to execute and deliver to the other parties hereto such other documents, and to take such further action, as the other parties hereto may reasonably request in order to carry out the purpose of this Agreement.

3.8 Information Confidential. Each Holder acknowledges that the information received by them pursuant hereto may be confidential and for its use only, and it will not use such information in violation of the Exchange Act or reproduce, disclose or disseminate such information to any other person (other than its employees or agents having a need to know the contents of such information, and its attorneys), except in connection with the exercise of rights under this Agreement, unless the Corporation has made such information available to the public generally or such Holder is required to disclose such information by a governmental body.

3.9 Captions. The captions and headings to Sections of this Agreement have been inserted for identification and reference purposes only and shall not be used to construe the meaning or the interpretation of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the day and year first above written.

THE CORPORATION:

NOVATEL WIRELESS, INC.

_____
By:_____
Its:_____
Date of Execution:_____

THE INVESTORS:

CORNERSTONE EQUITY INVESTORS IV, LP

By: Cornerstone Equity Investors, LLC
General Partner

_____
By:_____
Its:_____
Date of Execution:_____

CAPITAL RESEARCH AND MANAGEMENT COMPANY on behalf of The New Economy Fund

_____
By:_____
Its:_____
Date of Execution:_____

GMN INVESTORS II, L.P.

By: GMN Investors LLC
General Partner

_____
By:_____
Its:_____
Date of Execution:_____

THE MANUFACTURERS LIFE INSURANCE
COMPANY (U.S.A.)

_____
By:_____
Its:_____
Date of Execution:_____

_____
By:_____
Its:_____
Date of Execution:_____

RANDOLPH STREET PARTNERS 1998 DIF, LLC

_____
By:_____
Its:_____
Date of Execution:_____

RANDOLPH STREET PARTNERS III
(THIRD VENTURE)

_____
By:_____
Its:_____
Date of Execution:_____

GARY KUCK

_____
Gary Kuck
Date of Execution:_____

SAMUEL MAY

_____
Samuel May
Date of Execution:_____

MICHAEL MITGANG

_____
Michael Mitgang
Date of Execution:_____

JEFFREY CHENG

_____
Jeffrey Cheng
Date of Execution:_____

THEODORE J. CHRISTIANSON

_____
Theodore J. Christianson
Date of Execution:_____

TAD W. PIPER

_____
Tad W. Piper
Date of Execution:_____

VENTURES WEST INVESTMENTS LIMITED

_____
By:_____
Its:_____
Date of Execution:_____

BANK OF MONTREAL CAPITAL CORPORATION

By: Ventures West Management TIP, Inc., Manager

_____
By:_____
Its:_____
Date of Execution:_____

GOLDEN GATE DEVELOPMENT & INVESTMENT LIMITED PARTNERSHIP

By: Advent International Limited Partnership, General Partner

By: Advent International Corporation, General Partner

_____
By: Greg Smitherman
Its:_____
Date of Execution:_____

ADVENT ISRAEL LIMITED PARTNERSHIP

By: Advent International Limited Partnership, General Partner

By: Advent International Corporation, General Partner

_____
By: Greg Smitherman
Its:_____
Date of Execution:_____

ADVENT PARTNERS LIMITED PARTNERSHIP

By: Advent International Corporation, General Partner

_____
By: Greg Smitherman
Its:_____
Date of Execution:_____

DIGITAL MEDIA & COMMUNICATIONS LIMITED PARTNERSHIP

By: Advent International Limited Partnership, General Partner

By: Advent International Corporation, General Partner

_____
By: Greg Smitherman
Its:_____
Date of Execution:_____

GSM CAPITAL LIMITED PARTNERSHIP

By: Telcom Management Limited Partnership, General Partner

By: Telcom Investments Inc., General Partner

_____
By: Bernice E. Bradin
Its:_____
Date of Execution:_____

ARGC, LLC

_____
By: Bernice E. Bradin
Its:_____
Date of Execution:_____

THOMAS BEAL

_____
Thomas Beal
Date of Execution:_____

CARL BILDNER

_____
Carl Bildner
Date of Execution:_____

JONG TAE CHOI

_____
Jong Tae Choi
Date of Execution:_____

KATHRYN COOPERMAN

_____
Kathryn Cooperman
Date of Execution:_____

ROBERT COREY

_____
Robert Corey
Date of Execution:_____

MARCO POLO INDUSTRIES CO., LTD

_____
By:_____
Its:_____
Date of Execution:_____

ECOLOGY MANAGEMENT

_____
By:_____
Its:_____
Date of Execution:_____

ROGER HARTMAN

_____
Roger Hartman
Date of Execution:_____

JOAN LEVINSON

_____
Joan Levinson
Date of Execution:_____

NADEAU TRAIL, INC.

_____
By:_____
Its:_____
Date of Execution:_____

DAVID OROS

_____
David Oros
Date of Execution:_____

P.S. CAPITAL LLC

_____
By:_____
Its:_____
Date of Execution:_____

ELLIOT TUCKEL

_____
Elliot Tuckel
Date of Execution:_____

WORKING VENTURES CANADIAN FUND, INC.

_____
By:_____
Its:_____
Date of Execution:_____

ROBIN LOUIS

_____
Robin Louis
Date of Execution:_____

SAM ZNAIMER

_____
Sam Znaimer
Date of Execution:_____

AETHER CAPITAL LLC

By: Aether Systems, Inc.
Its Sole Member

By:_____
Name:
Title:
Date of Execution:_____

CORNERSTONE EQUITY INVESTORS IV, LP

By: Cornerstone Equity Investors, LLC
General Partner

_____
By:_____
Its:_____
Date of Execution:_____

GSM CAPITAL LIMITED PARTNERSHIP

By: Telcom Management Limited
Partnership, General Partner

By: Telcom Investments Inc.,
General Partner

_____
By: Bernice E. Bradin
Its:
Date of Execution:_____

ARGC III, LLC

_____
By:_____
Its:_____
Date of Execution:_____

WORKING VENTURES CANADIAN FUND

_____
By:_____
Its:_____
Date of Execution:_____

VENTURES WEST INVESTMENTS LIMITED

_____
By:_____
Its:_____
Date of Execution:_____

BANK OF MONTREAL CAPITAL CORPORATION

_____
By:_____
Its:_____
Date of Execution:_____

SAM ZNAIMER

_____
By: Sam Znaimer
Its:
Date of Execution:_____

ROBIN LOUIS

_____
By: Robin Louis
Its:
Date of Execution:_____

RANDOLPH STREET PARTNERS 1998 DIF, LLC

_____
By:_____
Its:_____
Date of Execution:_____

RANDOLPH STREET PARTNERS III (Third Venture Tranche B)

_____
By:_____
Its:_____
Date of Execution:_____

MICHAEL MITGANG

_____
Michael Mitgang
Date of Execution:_____

CALEP EQUITIES LLC

_____
By: Angelo Leparulo
Its: Manager
Date of Execution:_____

IRONSIDE VENTURE PARTNERS II LLC

By: _____

Name: _____
(Print)

Title: _____
(If applicable)

GMN INVESTORS II, L.P.

By: GMN Investors LLC,
its general partner

By: _____

Name: _____
(Print)

Title: _____
(If applicable)

GARY KUCK

_____
Gary Kuck

SAMUEL MAY

_____
Samuel May

JEFFREY CHENG

_____
Jeffrey Cheng

ORRICK, HERRINGTON & SUTCLIFFE LLP

_____
By: Peter V. Leparulo
Its: Authorized Signatory

PETER V. LEPARULO

_____
Peter V. Leparulo

UMB BANK, n.a. as TRUSTEE of the
ORRICK, HERRINGTON & SUTCLIFFE LLP
DEFINED CONTRIBUTION PLAN FBO BLASE
DILLINGHAM

_____
By:_____
Its:_____

KEITH BIANCAMANO

_____
Keith Biancamano

AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT
SERIES D CONVERTIBLE PREFERRED STOCK FINANCING

EXHIBIT A

Investors

SERIES C INVESTORS
- Cornerstone Equity Investors IV, LP
- Capital Research and Management Company on behalf of the New Economy Fund
- GMN Investors II, L.P.
- The Manufactures Life Insurance Company (U.S.A.)
- Randolph Street Partners 1998 DIF, LLC
- Randolph Street Partners III (Third Venture)
- Kuck, Gary L.
- May, Samuel
- Mitgang, Michael
- Cheng, Jeffrey
- Christianson, Theodore J.
- Piper, Tad W.
- Ventures West Investments Ltd.
- Bank of Montreal Capital Corp.
- Golden Gate Development & Investment Limited Partnership
- Advent Israel Limited Partnership
- Advent Partners Limited Partnership
- Digital Media & Communications Limited Partnership
- GSM Capital Limited Partnership
- ARGC, LLC
- Beal, Thomas
- Bildner, Carl
- Choi, Jong Tae
- Cooperman, Kathryn
- Corey, Robert
- Marco Polo Industries Co., Ltd.
- Ecology Management
- Hartman, Roger
- Levinson, Joan
- Nadeau Trail, Inc.
- Oros, David
- P.S. Capital LLC
- Tuckel, Elliot
- Working Ventures Canadian Fund
- Robin Louis
- Sam Znaimer

AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT
SERIES D CONVERTIBLE PREFERRED STOCK FINANCING

SERIES D INVESTORS
- Aether Capital LLC
- Cornerstone Equity Investors IV, LP
- GSM Capital Limited Partnership
- ARGC III, LLC
- Working Ventures Canadian Fund
- Ventures West Investments Ltd.
- Bank of Montreal Capital Corp.
- Sam Znaimer
- Robin Louis
- Randolph Street Partners 1998 DIF, LLC
- Randolph Street Partners III (Third Venture Tranche B)
- Mitgang, Michael
- Calep Equities LLC
- Ironside Venture Partners II LLC
- GMN Investors II, L.P.
- Gary Kuck
- Samuel May
- Jeffrey Cheng
- Orrick, Herrington & Sutcliffe LLP
- Peter V. Leparulo
- UMB Bank, n.a. as Trustee of the Orrick, Herrington & Sutcliffe LLP Defined Contribution Plan FBO Blase Dillingham
- Keith Biancamano

EXHIBIT 10.9

THIS LEASE made as of the 1st day of February, 1997.

BETWEEN:

SUN LIFE ASSURANCE COMPANY OF CANADA, a body corporate incorporated under the laws of Canada

(hereinafter called the "Landlord")

OF THE FIRST PART.

- and -

NOVATEL WIRELESS TECHNOLOGIES LTD.

(hereinafter called the "Tenant")

OF THE SECOND PART.

WHEREAS the Landlord is registered as owner, subject to such encumbrances, liens and interests as are notified by memorandum underwritten (or endorsed hereon) of that certain parcel of land municipally described as 6715 8th St. N.E. and situated in the City of Calgary in the Province of Alberta and more particularly described in Schedule "A" attached hereto (hereinafter called the "Land") upon which Land is situated an office building and related improvements (the said office building and all other fixed improvements now or hereafter on the Land being hereinafter referred to as the "Building"); and

WHEREAS the Tenant has agreed to lease space in the Building which will comprise the area more particularly hereinafter set forth for the term and at the rental and subject to the terms, covenants, conditions and agreements hereinafter contained; and

WHEREAS in this Lease certain expressions have the defined meanings set out in Article 16 hereof;

WITNESSETH THAT

ARTICLE 1
PREMISES

Premises

1.01 In consideration of the rents, covenants, agreements and conditions hereinafter reserved and contained on the part of the Tenant to be respectively paid, kept, observed and performed, the Landlord hereby demises and leases unto the Tenant those certain premises situate on the 2nd floor of the Building containing a Rentable Area of 11,494 square feet as shown outlined in red on the floor plan hereto annexed as Schedule "B" (hereinafter referred to as the "Leased Premises") which Leased Premises shall have for purposes hereinafter set out a Gross Area of 12,644 square feet and the Rentable Area and Gross Area of the Leased Premises shall be measured as provided in Sub-sections 16.01 (g), (h), and (j) hereof.

ARTICLE 2
TERM

Term

2.01 TO HAVE AND TO HOLD the Leased Premises for a term of FIVE (5) YEARS commencing on the 1ST DAY of FEBRUARY, 1997 (hereinafter referred to as the "commencement date") and to be fully completed and ended on the 31ST DAY OF JANUARY, 2002.

Possession

2.02 It is expressly understood and agreed between the Landlord and the Tenant that, should all of the Leased Premises not be ready for occupancy by the Tenant on the commencement date, the Term of this lease shall nonetheless commence on the commencement date and this Lease shall remain in full force and effect and subject as hereinafter provided the Tenant shall take possession of the Leased Premises when all of the said Leased Premises are ready for occupancy (or in the opinion of the Landlord's Architect would have been ready for occupancy except for the fault of the Tenant). The Tenant shall be obligated to pay rent for the Leased Premises as and from the date that all of the Leased Premises are ready for occupancy. If such date shall occur on a day other than the first day of a month, the basic rent and electrical charges for such month shall be payable only for the proportionate part (being the balance of the month commencing on the date the Leased Premises are ready for occupancy) and the full monthly installments payable under the within Lease shall commence and be payable as of and from the first day of the month next following the date when the Leased Premises are ready for occupancy.

Ready for Occupancy

2.03 For the purposes of this Article, the date on which the Leased Premises are "ready for occupancy" shall be the commencement date.

Inability to Deliver

2.04 The Landlord shall not be liable Possession for loss, injury, damage or inconvenience which the Tenant may sustain by reason of the inability of the Landlord to deliver the Leased Premises ready for occupancy on the commencement date.

Relocation of Leased Premises

2.05 The Tenant agrees that notwithstanding of Leased anything herein contained, the Landlord shall have a ONE TIME RIGHT, to change the location of the Leased Premises as set forth in Article I hereof and Schedule "B" attached hereto to comparable premises in the Building on or above the 2nd floor provided such premises are acceptable to the Tenant, acting reasonably. If the Landlord exercises its right to relocate the Tenant hereunder after the date upon which the Landlord gives notice to the Tenant that the Leased Premises are ready for installation of the Tenant's improvements, THE LANDLORD SHALL PAY THE COSTS OF THE TENANT IN RELOCATING IN THE AMOUNT OF $250,000.00. THE LANDLORD SHALL PROVIDE THE TENANT WITH FOUR MONTHS ADVANCE NOTICE OF THE RELOCATION AND THE TENANT SHALL HAVE ACCESS TO THE NEW LOCATION IN ORDER TO PERFORM IMPROVEMENTS AND ALTERATIONS OF THE NEW LOCATION. SUCH ACCESS TO BE PROVIDED AT LEAST THREE MONTHS PRIOR TO THE DATE OF THE RELOCATION.

ARTICLE 3
RENT

Rent

3.01 YIELDING AND PAYING THEREFOR unto the Landlord, at the Landlord's office in the City of Toronto, Ontario (or to such other persons at such other places as the Landlord may from time to time in writing designate), subject to adjustment as hereinafter provided, in lawful money of Canada, the annual basic rent of ONE HUNDRED TEN THOUSAND TWO DOLLARS EIGHTY CENTS ($110,002.80) payable without deduction by equal consecutive monthly installments of NINE THOUSAND ONE HUNDRED SIXTY SIX DOLLARS NINETY CENTS ($9,166.90) in advance on the first day of each and every month during the Term.

Basis of determining Rent

3.02 The aforesaid annual basic rent is calculated on the basis of the Gross Area of the Leased Premises being 12,644 SQUARE FEET leased at a rate of $8.70 for each square foot of Gross Area for the Term.

Apportionment of Annual Basic Rent and Common Costs Escalation

3.03 Annual basic rent and Common Costs Escalation are considered to accrue from day to day, and where it becomes necessary to calculate annual basic rent or Common Costs Escalation for an irregular period of less than twelve calendar months, or an installment of annual basic rent or Common Costs Escalation for a period of less than one calendar month, an appropriate apportionment and adjustment will be made on a per diem basis.

ARTICLE 4
TENANT' S COVENANTS

The Tenant covenants with the Landlord as follows:

Occupancy

4.01 To occupy the Leased Premises on the date the Leased Premises are ready for occupancy subject to the terms hereof.

Rent

4.02 To pay the rent hereby reserved promptly on the days and at the times and in the manner herein mentioned, without demand or deduction.

Permitted Use

4.03 To use the Leased Premises only for general office purposes and ELECTRICAL ENGINEERING LABORATORY, and such normal and lawful business, duties and functions of a general business office and ELECTRONIC ENGINEERING LABORATORY, that will not unreasonably interfere with normal use of a first-class office building OF A NATURE AND TYPE SIMILAR TO THE WITHIN BUILDING; and not to use or permit to be used the Leased Premises or any part thereof for any business which is that of a bank, treasury branch, credit union, trust or acceptance or loan company or any other organization engaged in the business of accepting, money on deposit, or any similar banking business (excluding insurance, stock brokers or investment dealers), nor use nor permit the use of any part of the Leased Premises for the purpose of installation or operation of any electronic or mechanical equipment, or machines by which any banking transaction, operation or function may be available to the public, nor use or permit the use of any part of the Leased Premises for or as a restaurant, cafeteria, lunch counter, food dispensary, snack bar or other food services operation, OTHER THAN FOR STAFF PURPOSES.

Waste and Nuisance

4.04 Not to commit or permit any waste or injury to the Leased Premises including the Leasehold improvements and trade fixtures therein, any overloading of the floors thereof, any nuisance therein or any use or manner of use causing annoyance to other tenants and occupants of the Building and not to use or permit to be used any part of the Leased Premises for any dangerous, noxious or offensive trade or business; and not to place any objects on or otherwise howsoever obstruct the heating or air conditioning vents within the Leased Premises. The Landlord acknowledges that the Tenant's existing use mentioned in Section 4.03 of the Lease does not constitute a nuisance.

Floor Loads

4.05 That the Tenant shall not place a load upon any portion of any floor of the Leased Premises which exceeds the floor load which the area of such floor being loaded was designed to carry having regard to the loading of adjacent areas and that which is allowed by law. The Landlord reserves the right to prescribe the weight and position of all safes and heavy installations which the Tenant wishes to place in the Leased Premises, so as to distribute properly the weight thereof and the Tenant shall pay for all costs incurred by the Landlord and the Landlord's Architect in making such assessment.

Insurance Risk

4.06 EXCEPT FOR THE PERMITTED USES DESCRIBED IN PARAGRAPH 4.03, not to do, omit to do or permit to be done or omitted to be done upon the Leased Premises anything which would cause the Landlord's cost of insurance (whether fire or liability) to be increased (and, without waiving the foregoing prohibition the Landlord may demand, and the Tenant shall pay to the Landlord upon demand, the amount of any such increase of cost caused by anything so done or omitted or permitted to be done or omitted) or which would cause any policy of insurance to be subject to cancellation or refusal of placement or renewal.

Noxious Fumes Vapours and Odours

4.07 The Tenant shall so use the Leased Premises that noxious or objectionable fumes, vapours and odours will not occur beyond the extent to which they are discharged or eliminated by means of the flues and other devices provided in the Building by the Landlord and shall prevent any such noxious or objectionable fumes, vapours and odours from entering into the air conditioning or being discharged into other vents or flues of the Building or annoying any of the tenants in the Building. Any discharge of fumes, vapours and odours shall be permitted only during such period or periods, to such extent, in such conditions and in such manner as is directed by the Landlord from time to time. THE LANDLORD SHALL BE RESPONSIBLE TO MAINTAIN REASONABLE VENTILATION AND FLUES COMMONLY FOUND IN A BUILDING OF THE NATURE AND TYPE OF THE WITHIN BUILDING.

Condition

4.08 Not to permit the Leased Premises to become untidy, unsightly, offensive or hazardous or permit unreasonable quantities of waste or refuse to accumulate therein, and at the end of each business day to leave the Leased Premises in a condition such as reasonably to facilitate the performance of the Landlord's janitor and cleaning services referred to in Section 5.06.

By-laws

4.09 To comply at its own expense with all municipal, federal, provincial, sanitary, fire, building and safety statutes, laws, by-laws, and safety statutes, laws, by-laws, regulations, ordinances, orders and requirements pertaining to the operation and use of the Leased Premises, the condition of the Leasehold Improvements, trade fixtures, furniture and equipment installed by the Tenant therein and the making by the Tenant of any repairs, changes or improvements therein or any other matter pertaining to the Leased Premises or the Tenant as well as all rules and regulations of the Canadian Board of Fire Underwriters, or any successor body and with the requirements of all insurance companies having policies of any kind whatsoever in effect covering the Building which are communicated to the Tenant.

Rules and Regulations

4.10 To observe, and to cause its employees, invitees and all others over whom the Tenant can reasonably be expected to exercise control to observe the Rules and Regulations attached as Schedule "C" hereto, and such further and other reasonable Rules and Regulations and amendments and changes therein as may hereafter be made by the Landlord of which notice in writing shall be given to the Tenant and all such Rules and Regulations shall be deemed to be incorporated into and form part of this Lease. For the enforcement of such Rules and Regulations, the Landlord shall have available to it all remedies in this Lease provided for a breach thereof and all legal remedies whether or not provided for in this Lease, both at law and in equity. The Landlord shall not be responsible or liable to the Tenant for the non-observance or violation by any other tenant of any such Rules and Regulations or the non-enforcement as against other tenants of such Rules and Regulations or any loss or damage arising out of the same.

Surrender, Overholding

4.11 That upon the expiration or other termination of the Term of this Lease, the Tenant shall quit and surrender the Leased Premises in vacant and clean possession and in good order, repair, decoration, and condition (subject to the provisions of Sub-section 6.02 (a) hereof) and shall remove all its property therefrom, except as otherwise provided in this Lease. The Tenant's obligation to observe or perform this covenant shall survive the expiration or other termination of the Term of this Lease. If the Tenant shall continue to occupy the Leased Premises after the expiration of this Lease without further written

agreement and without objection by the Landlord, the Tenant shall be a month-to-month tenant at double the annual basic rent and (except as to length of tenancy) on and subject to the provisions and conditions herein set out including the payment of electrical charges and Common Costs Escalation.

Signs and Directory

SEE SECTION 17.06

4.12 Not to paint, display, inscribe, place or affix any sign, notice or lettering of any kind anywhere outside the Leased Premises (whether on the outside or inside of the Building) or within the Leased Premises so as to be visible from the outside of the Leased Premise with the exception only of any identification sign at or near the entrance of the Leased Premises and a directory listing in the main lobby of the Building, in each case containing only the name of the Tenant and such other names as the Landlord may permit, and to be subject to the approval of the Landlord as to design, size, location and content. Such identification sign and directory listing shall be installed at the expense of the Tenant, and the Landlord reserves the right to install them as an Additional Service.

Inspection Access

4.13 Other than regularly scheduled access as agreed to by the Tenant and Landlord, during Normal Business Hours and on at least one hours notice to the Tenant, the Landlord shall be permitted, as reasonably required, any time and from time to time to enter and to have its authorized agents, employees and contractors enter the Leased Premises for the purpose of inspection, window cleaning, maintenance, providing janitor services, making repairs, alterations or improvements to the Leased Premises, adjoining premises or the Building, or to have access to or make changes in utilities and services (including underfloor and overhead ducts, air conditioning, heating, plumbing, electrical and telephone facilities and access panels, all of which the Tenant agrees not to obstruct) or to determine the electric light and power consumption by the Tenant in the Leased Premises and the Tenant shall provide free and unhampered access for such purposes, and shall not be entitled to compensation for any inconvenience, nuisance and discomfort or loss caused thereby, but the Landlord in exercising its rights hereunder shall proceed to the extent reasonably possible so as to minimize interference with the Tenant's use and enjoyment of the Leased Premises.

Exhibiting Premises

4.14 That the Landlord or its agents may, ON 24 HOURS NOTICE TO THE TENANT enter and exhibit the Leased Premises during Normal Business Hours during the Term hereof, and place upon the Leased Premises a notice, of reasonable dimensions and reasonably placed, stating that said Land or the Leased Premises are for sale or to let which notice the Tenant shall not remove or obscure or permit to be removed or obscured, but the Landlord in exercising its rights hereunder shall proceed to the extent reasonably possible so as to minimize interference with the Tenant's use and enjoyment of the Leased Premises. THE TENANT SHALL BE PERMITTED TO BE PRESENT AT THE TIME OF ANY SUCH ENTERING AND EXHIBITING.

Name of Building

4.15 Not to refer to the Building by any name other than that designated from time to time by the Landlord, nor to use such name for any purpose other than that of the business address of the Tenant.

Acceptance Leased

4.16 That the Tenant shall be deemed to have examined the Leased Premises Premises before taking possession and the taking of possession shall be conclusive evidence as against the Tenant that at the time thereof the Leased Premises were in good order and satisfactory condition and that all alterations, remodelling, decorating and installation of equipment and fixtures required to be done by the Landlord have been satisfactorily completed save only for such deficiencies of which notice shall have been given to the Landlord within fifteen (15) days after the taking of possession. Any dispute as to any aspects of the Landlord's work or completion or adequacy of the Building, the Leased Premises or any part thereof shall be determined by the Landlord's Architect.

ARTICLE 5
LANDLORD'S COVENANTS

The Landlord covenants with the Tenant as follows:

Quiet Enjoyment

5.01 That the Tenant paying the rent hereby reserved at the times mentioned and in the manner aforesaid and observing and performing each and every of the covenants, conditions, restrictions and stipulations by the Tenant to be observed or performed shall and may peaceably and quietly possess and enjoy the Leased Premises for the Term hereby granted without any interruption from the Landlord or any other person lawfully claiming by, through, or under it.

Interior Climate Control

5.02 To maintain in the Leased Premises during Normal Business Hours, and to the extent permitted by law by means of a heating and cooling system, conditions of reasonable temperature and comfort in accordance with good standards of interior climate control generally pertaining at the date of this Lease applicable to normal occupancy of the said premises, but the Landlord shall have no responsibility for any inadequacy of performance of the said system if the Leased Premises depart from the design criteria for such system as determined by the Landlord's Architect. If the use of the Leased Premises does not accord with the said design criteria and changes in the system are feasible and desirable to accommodate such use, the Landlord may make such changes and the entire expense of such changes will be paid by the Tenant.

Elevators

5.03 Subject to the supervision of the Landlord and except when repairs are being made thereto, to furnish for use by the tenant and its employees and invitees in common with other persons entitled thereto passenger elevator service (operatorless automatic elevator service, if used, shall be deemed "elevator service" within the meaning of this Section) to the floor on which the Leased Premises or portions thereof are located, and to furnish for the use of the Tenant in common with others entitled thereto at reasonable intervals and at such hours as the Landlord may REASONABLY select, elevator service for the carriage of furniture, equipment, deliveries and supplies, provided however, that if the elevators shall become inoperative or shall be damaged or destroyed the Landlord shall have reasonable time within which to repair such damage or replace such elevator and the Landlord shall repair or replace the same as soon as reasonably possible, but shall in no event be liable for indirect or consequential damages or other damages for personal discomfort or illness during such period of repair or replacement. THE ELEVATORS WILL BE AVAILABLE TO THE TENANT 24 HOURS A DAY.

Entrances, Lobbies, etc.

5.04 To permit the Tenant and its employees and Lobbies, etc. invitees to have the use during Normal Business Hours in common with others entitled thereto of the common entrances, lobbies, stairways and corridors of the Building giving access to the Leased Premises, THE TENANT SHALL BE PERMITTED ACCESS TO SUCH AREAS AT SUCH OTHER TIMES OF ITS OPERATIONS ON SUCH TERMS AS MAY BE REASONABLE IN ALL OF THE CIRCUMSTANCES, (subject to the Rules and Regulations referred to in Section 4.10 and such other reasonable limitations as the Landlord may from time to time impose) provided that notwithstanding the foregoing the Landlord reserves the right to restrict for security purposes the method of access on Saturdays even during Normal Business Hours; and to permit access to the Leased Premises outside of Normal Business Hours by the Tenant and its authorized employees subject to such reasonable restrictions for security purposes as the Landlord may impose.

Washrooms

5.05 To permit the Tenant and its employees and invitees in common with others, entitled thereto to use the washrooms in the Building on the floor or floors on which the Leased Premises are situate and to provide in such washrooms washroom supplies to a standard consistent with normal standards.

Janitor Services

5.06 To provide cleaning and janitorial services, including window cleaning, to a standard and with services consistent with normal standards from time to time for similar buildings in similar locations in the city in which the Building is situate, provided that the Tenant shall at the end of each business day leave the Leased Premises in a reasonably tidy condition. With the exception of the obligation to cause such work to be done, the Landlord shall not be responsible for any act of omission on the part of the person or persons, firm or corporation employed to perform such work, and such work shall be done at the Landlord's direction, without interference by the Tenant, its servants, agents or employees.

ARTICLE 6
REPAIR AND DAMAGE AND DESTRUCTION

The Landlord and Tenant further covenant and agree as follows:

Landlord's Repairs

6.01 The Landlord covenants with the Tenant, subject to Sub-section 6.03 (b) and Section 11.02 hereof and except for reasonable wear and tear, to keep in good and substantial state of repair the exterior walls, roof, foundations, and bearing structure of the Building and the pipes, heating and air conditioning, plumbing and electrical wires installed by the Landlord.

Tenant's Repairs

6.02 The Tenant covenants with the Landlord:

(a) subject to Sub-section 6.03 (b) and except for reasonable wear and tear and Insured Damage, except where the latter is caused by the Tenant, its agents, employees, invitees or licensees, to keep in good and substantial state of repair and decoration, including repainting and cleaning of drapes and carpets at reasonable intervals as needed, the Leased Premises including all Leasehold Improvements and all trade fixtures therein and all glass therein other than (subject to Sub-section 6.02 (d) hereof) perimeter windows on floors above the Ground Floor of the Building;

(b) that the Landlord may, ON AT LEAST ONE HOURS NOTICE TO THE TENANT, from time to time enter and view the state of repair, and that the Tenant will repair according to notice in writing;

(c) that if any part of the Building including without limitation, the structure or the structural elements of the Building, or the systems for interior climate control or for the provisions of utilities or services get out of repair, or become damaged or destroyed through the negligence or misuse of the Tenant or of its employees, invitees or others over whom the Tenant can reasonably be expected to exercise control, the expense of repairs or replacements thereto necessitated thereby shall be paid by the Tenant;

(d) that the Tenant shall during the continuance of this lease at its expense repair and replace with as good quality and size any glass broken on the Leased Premises, and such obligation shall include outside windows and doors on the perimeter of the Leased Premises whenever such glass shall be broken by the Tenant, its servants, employees, agents or invitees; and

(e) that the Tenant will notify the Landlord immediately upon the Tenant becoming aware of any defect in the Leased Premises or of any other condition which may cause damage to the Leased Premises or the Building.

Abatement and Termination

6.03 It is agreed between the Landlord and the Tenant that:

(a) (i) in the event of partial destruction (as hereinafter defined) of the Leased Premises by fire, the elements or other cause or casualty, then in such event, if the destruction is such that, in the REASONABLE opinion of the Landlord's Architect, the Leased Premises may be partially used for the Tenant's business while the repairs are being made, then the rent shall abate in the proportion that the part of the Leased Premises rendered unusable bears to the whole of the Leased Premises, PROVIDED ALWAYS that if the part rendered unusable exceeds one-half (1/2) of the area of the Leased Premises there shall be a total abatement of rent until the repairs have been made unless the Tenant, with the permission of the Landlord, in fact, uses the undamaged part, in which case the Tenant shall pay proportionate rent for the part so used (being annual basic rent, electrical charges and Common Costs Escalation bearing the same proportion to the annual basic rent, electrical charges and Common Costs Escalation for the whole of the Leased Premises as the area in square feet of the part of the Leased Premises being used bears to the Rentable Area of the Leased Premises). "Partial destruction" shall mean any damage to the Leased Premises less than total destruction, but which renders all or any part of the Leased Premises temporarily unfit for use by the Tenant for the Tenant's business. A certificate of the Landlord's Architect as to whether the whole or a part of the Leased Premises is rendered unusable, and certifying the extent of the part rendered unusable, shall be binding and conclusive upon both Landlord and Tenant for the purposes hereof. Provided that if the partial destruction is repaired within fifteen (15) days after the date of destruction, there shall be no abatement of rent.

(ii) Notwithstanding the foregoing provisions concerning total or partial destruction of the Leased Premises, in the event of total or partial destruction of the Building of which the Leased Premises form a part (and whether or not the Leased Premises are destroyed) to such a material extent or of such a nature that in the opinion of the Landlord the Building must be or should be totally or partially demolished, whether to be re-constructed in whole or in part or not, then the Landlord may, at its option (to be exercised within sixty (60) days from the date of destruction) give notice to the Tenant that this Lease is terminated with effect from the date stated in the notice. If the Tenant is able effectively to use the Leased

Premises after the destruction, such date shall be not less than thirty (30) days from the date of the notice. If the Tenant is unable effectively to use the Leased Premises after the destruction, the date given in the notice shall be the date of destruction. Upon such termination, the Tenant shall immediately surrender the Leased Premises and all its interest therein to the Landlord and the rent shall abate and be apportioned to the date of

termination and the Tenant shall remain liable to the landlord for all sums accrued due pursuant to the terms hereof to the date of termination. The Landlord's Architect shall determine whether the Leased Premises can or cannot be effectively used by the Tenant and his certificate thereon shall be binding and conclusive upon both Landlord and Tenant for the purposes hereof.

(iii) In none of the cases aforesaid shall the Tenant have any claim upon the Landlord for any damages sustained by it nor shall the Landlord be obligated to rebuild the Building or any part thereof in accordance with the original plans and specifications therefor. No damages, compensation or claim whatsoever shall be payable by the Landlord for inconvenience, loss of business or annoyance or other loss or damage whatsoever arising from the occurrence of any such damage or destruction of the Leased Premises or of the building and/or the repair or restoration thereof.

ARTICLE 7
TAXES AND OPERATING COSTS

The Landlord and Tenant further covenant and agree:

Landlord's Obligations

7.01 The Landlord covenants with the Tenant subject to the Tax provisions of Sections 7.02 and 7.03 to pay promptly when due to the taxing authority or authorities having jurisdiction, all Taxes (as defined in section 16.01 hereof).

Business Taxes and Common Costs Escalation

7.02 The Tenant covenants with the Landlord:

(a) to pay when due all business taxes, business licence fees, and other taxes, rates, duties or charges levied or assessed by lawful authority in respect of the use or occupancy of the Leased Premises by the Tenant, the business or businesses carried on therein, or the equipment, machinery or fixtures brought therein by or belonging to the Tenant, or anyone occupying the Leased Premises with the Tenant's consent, and to pay to the Landlord upon demand the portion of any tax, rate, duty or charge levied or assessed upon the land and Building that is attributable to any equipment, machinery or fixtures on the Leased Premises which are not the property of the Landlord.

(b) to pay to the Landlord in the manner specified in Section 7.03 as additional rent any Common Costs Escalation.

(c) to reimburse the Landlord throughout the Term and at the times and in the manner specified by the Landlord from time to time, the full amount of any tax, sales tax, goods and services tax, value added tax, multi-stage sales tax, business transfer tax or any other similar tax levied, rated, charged, imposed or assessed in respect of the rent, additional rent or any other amounts payable pursuant to this Lease or in respect of the space demised under this Lease.

Payment of Common Costs Escalation

7.03 (a) After the commencement of the Term of this Lease and prior to the commencement of each calendar year thereafter which commences during the Term the Landlord shall estimate the Common Costs Escalation for the ensuing calendar year or (if applicable) broken

portion thereof, as the case may be, to become payable under Section 7.02, and notify the Tenant in writing of such estimate. The amount so estimated (which amount may be re-estimated from time to time during the calendar year) shall be payable in equal monthly installments in advance over the calendar year in question, each such installment being payable on each monthly rental payment date proved in Article 3 hereof.

See Section 17.08

(b) When the Common Costs for the calendar year or broken portion of the calendar year in question become finally determined the Landlord shall recalculate the Common Costs Escalation. If the Tenant has overpaid such Common Costs Escalation, the Landlord shall refund any excess paid, but if any balance remains unpaid the Tenant shall pay such remaining balance within thirty (30) days of demand by the Landlord. If for any reason the Common Costs Escalation is not finally determined within such calendar year or broken portion thereof, the parties shall make the appropriate re-adjustment when such Common Costs Escalation becomes finally determined. The obligation of the parties to observe or perform this covenant shall survive the expiration or other termination of the Term of this Lease. Within 120 days after the end of each calendar year, the Landlord shall furnish to the Tenant a statement in writing certified by the Landlord's external auditors of the amount of Common Costs for such calendar year showing in reasonable detail the main classification of items included in Common Costs. If the amount payable by the Tenant as shown on such statement is greater or less than the portion paid by the Tenant to the landlord pursuant to Article 7.03 (a) or (b) , the proper adjustments shall be paid by the party liable for such amount within ten (10) days after delivery of the statement.

(c) Neither party may claim a re-adjustment in respect of the Common Costs Escalation based upon any error of estimation, determination or calculation thereof unless claimed in writing prior to the expiration of one (1) year after the end of the calendar year to which the Common Costs Escalation relates. Any report of the Landlord's accountant (who may be the Landlord's internal auditor or accountant) as to the Common Costs Escalation shall be conclusive as to the amount thereof for any period to which such report relates. THE TENANT SHALL BE ENTITLED TO REASONABLY REQUEST THE DOCUMENTATION BASED UPON WHICH THE LANDLORD HAS DETERMINED THE COMMON COSTS ESCALATION. THE COMMON COSTS ARE ESTIMATED TO BE $6.65 PER SQUARE FOOT INCLUDING ELECTRICITY FOR THE FISCAL YEAR 1996. FURTHER THE LANDLORD AGREES TO LIMIT ANNUAL INCREASES IN ADDITIONAL RENT, EXCLUDING PROPERTY TAX AND UTILITIES AND ANY OTHER LEGISLATED COSTS NOT UNDER THE LANDLORD'S CONTROL, TO ACTUAL INCREASES OF 5%, WHICHEVER IS LESS.

Postponement, etc., of Taxes

7.04 The Landlord may postpone payment of any Taxes payable by it pursuant to Section 7.01 and the Tenant may postpone payment of any taxes, rates, duties, levies and assessments payable by it under Sub-section 7.02 (a), in each case to the extent permitted by law and if prosecuting in good faith any appeal against the imposition thereof, and provided in the case of a postponement by the Tenant that if the Building or any part thereof or the Landlord shall become liable to assessment, prosecution, fine or other liability the Tenant shall have given security in a form and of an amount satisfactory to the landlord in respect of such liability and such undertakings as the Landlord may reasonably require to ensure payment thereof.

Receipts, etc.

7.05 Whenever requested by the Landlord the Tenant will deliver to it receipts for payment of all taxes, rates, duties, levies and assessments payable by the Tenant pursuant to Sub-section 7.02 (a) hereof and furnish such other information in connection therewith as the Landlord may reasonably require.

ARTICLE 8
UTILITIES AND ADDITIONAL SERVICES

The Landlord and Tenant further covenant and agree as follows:

Water, Telephone and Electricity

8.01 The Landlord shall furnish appropriate conduits for bringing building standard electrical and telephone services to the Leased Premises and shall provide hot and cold or tempered water to the building standard washrooms on each floor on which the Leased Premises are situate. (SEE SECTION 16.01(o).

Utilities

8.02 The Tenant shall pay for the cost of all utilities provided for its exclusive use in the Leased Premises, including without restricting the generality of the foregoing or of Section 8.03, gas, water, electricity, telephone and communication service charges and rates incurred by the Tenant and any other charges and/or rates relating to services and/or utilities provided for the exclusive use of the Tenant in respect of the Tenant's occupation of the Leased Premises and operation of its business carried on therein or therefrom, including laboratory work and any special systems servicing its own computers, or any other machinery.

Electricity

8.03 The Landlord may from time to time determine the Tenant' s electrical consumption in the Leased Premises upon whatever reasonable basis may be selected by it, including without limitation, the metering of electricity either to the Leased Premises or to special equipment therein or by estimating the consumption of the Leased Premises or any special equipment therein having regard to electrical capacity and hours of use. If the Landlord determines that the Tenant' s electrical consumption is disproportionate to the electrical consumption of other tenants in the Building, the Landlord may require the Tenant to install at the Tenant's expense a domestic meter for measurement or checking of the Tenant's electrical consumption or any part of such consumption or use; and in that event the Tenant shall pay directly to the supplier of the electricity as and when due from time to time any and all electrical charges for such electrical consumption which is disproportionate as aforesaid and which the Landlord has required to be metered. The Landlord's determination shall be verified by an engineer selected by the Landlord (who may be an employee of the Landlord) and being so verified shall be binding on the parties hereto. THE TENANT SHALL, WHEN REASONABLY REQUESTED BE PERMITTED TO REVIEW THE RECORDS AND RECEIVE AN ACCOUNTING FROM THE LANDLORD IN REGARD TO THE DETERMINATION OF THE ELECTRICAL CONSUMPTION IN THE BUILDING.

Excess Use

8.04 The Tenant's use of electric power in the Leased Premises shall not be for the operation of other than normal office electrical fixtures, lights, lamps, typewriters, photocopiers, bookkeeping machines, telexes, adding machines and similar small office machines for the Tenant's own use solely (the Landlord to determine what equipment is characterizable as "small office machines" and "normal office" equipment), AND SUCH OTHER ITEMS AND EQUIPMENT REASONABLY NECESSARY FOR THE PERMITTED USE AS DESCRIBED IN PARAGRAPH 4.03 HEREOF, without the prior written consent of the Landlord and shall not at any time exceed the capacity of any of the electrical conductors and equipment in or otherwise serving the Leased Premises.

As a condition of granting such consent, the Landlord may require the Tenant to pay as additional rent the cost of all additional risers and other equipment required therefor as well as the increased cost to the Landlord of the electric power and the Additional Services to be furnished by the Landlord in connection therewith.

Lamps

8.05 The Tenant shall pay throughout the Term promptly to the Landlord when demanded the cost of maintaining and servicing in all respects all electric lighting fixtures in the Leased Premises including the REASONABLE cost of replacement on a group basis or otherwise of electric light bulbs, fluorescent tubes, starters and ballasts installed on commencement of the said Term. Such maintaining, servicing and replacing shall be within the exclusive right of the Landlord and shall be carried out at reasonably competitive rates.

Additional Services

8.06 The Landlord, if it shall from time to time so elect, shall have the exclusive right, by way of Additional Services, to provide or have its designated agents or contractors provide any janitor or cleaning services to the Leased Premises required by the Tenant which are additional to those required to be provided by the Landlord under Section 5.06, and to supervise the moving of furniture or equipment of the Tenant and the making of repairs or alterations conducted within the Leased Premises, and to supervise or make deliveries to the Leased Premises. The cost of Additional Services provided to the Tenant shall be REASONABLY COMPETITIVE IN RELATION TO SUCH SERVICES IN THE MARKET PLACE AND SHALL BE paid to the Landlord by the Tenant from time to time promptly upon receipt of invoices therefor from the Landlord. The Landlord may include as part of its costs of rendering such Additional Services the Landlord's then current administration fee. Costs of Additional Services recovered directly from the Tenant and other tenants shall not be included in computing Operating Costs.

8.07 NOTWITHSTANDING PARAGRAPH 8.06, IF THE ADDITIONAL COSTS ARISING FROM OR OUT OF PARAGRAPH 8.06 EXCEED $500.00, THE TENANT, IN ITS SOLE DISCRETION, MAY SEEK OTHER ARRANGEMENTS FOR THE PROVISION OF THE ADDITIONAL SERVICES DESCRIBED IN PARAGRAPH 8.06 AND SHALL ADVISE THE LANDLORD OF THE ALTERNATIVE ARRANGEMENTS MADE AND WHICH ALTERNATIVE ARRANGEMENTS SHALL IN ALL OF THE CIRCUMSTANCES, BE REASONABLE.

8.08 NOTWITHSTANDING THE FOREGOING PROVISIONS CONTAINED IN THIS ARTICLE 8, THE TENANT SHALL NOT BE CHARGED NOR OBLIGATED TO PAY FOR ANY UTILITIES AND/OR ADDITIONAL SERVICES REFERRED TO IN THIS ARTICLE 8, WHICH HAVE BEEN INCLUDED IN THE DETERMINATION OF THE COMMON COSTS AND/OR OPERATING COSTS AS DEFINED IN THE WITHIN LEASE.

ARTICLE 9
LICENSES, ASSIGNMENTS AND SUBLETTINGS

Assignments and/or Sublettings

9.01 (a) The Tenant shall not assign, mortgage or charge this Lease or sublet or part with possession of the whole or any part of the Leased Premises nor shall it permit any subtenant to assign, mortgage or charge its sublease or sublet or part with possession of the whole or any part of the Leased Premises (each of the foregoing transactions being sometimes referred to herein as a "Transfer") unless it shall have first requested and obtained the consent in writing of the Landlord thereto, which consent shall not be unreasonably withheld. Any request for such consent shall be in writing and shall be accompanied by a true copy of any agreements relating to the Transfer which the Tenant may have originated or received, and the Tenant shall furnish to the Landlord all information reasonably requested by the Landlord available to the Tenant as to the business and financial responsibility and standing of the proposed assignee, subtenant, mortgagee or chargee

or occupant (herein referred to as the "Transferee").

(b) The Landlord's consent to the Tenant's request for consent to a Transfer shall not unreasonably be withheld, provided nevertheless that the Landlord shall be entitled to withhold consent unreasonably if the Landlord exercises the right hereinafter set out in subsection 9.01(c). Provided further that the landlord's consent to any Transfer shall be conditional upon the Transferee entering into an agreement in form and content stipulated by the Landlord to perform, observe and keep each and every covenant, proviso, condition and agreement in this Lease on the part of the Tenant to be performed, observed and kept, including (except in the case of a subtenancy payment of rent and all other sums and payments agreed to be paid or payable under this Lease-on the days and at the times and in the manner herein specified. In the case of a subtenancy, the agreement shall contain an assignment to the Landlord of the rents and other amounts payable under the sublease involved and a provision whereby the subtenant agrees to pay to the landlord, unless the latter otherwise directs, all such rents and other amounts payable under the sublease. The assignment shall be given as security for payment of the rents and other amounts payable under this Lease. Without limiting the grounds for withholding consent to a Transfer, the Landlord's refusal to consent will not be considered unreasonable if a reason for withholding the consent is (i) that the Landlord has concerns, on reasonable grounds, about the business, financial background, business history or creditworthiness of the proposed Transferee or about the use to which the Leased Premises may be put or (ii) the Transferee's refusal to execute an agreement of the type referred to above.

(c) Upon the receipt from the Tenant of such request and such required information, the Landlord shall have the right, exercisable in writing within fourteen (14) days after such receipt, to cancel and terminate this Lease if the request relates to all the Leased Premises or to cancel this Lease only with respect to the applicable part of the Leased Premises if the request relates only to a part of the Leased Premises. In a case where the Tenant's request for consent to a Transfer relates only to a part of the Leased Premises, the phrase "cancellation of this Lease" means cancellation of this Lease only with respect to the applicable part of the Premises, and similar expressions have similar meanings. Such cancellation shall be effective as of the date set forth in the Landlord's notice of exercise of such right, which shall be neither less than sixty (60) nor more than one hundred and twenty (120) days following the service of such notice. If the lease is cancelled only with respect to a part of the Leased Premises, basic rent will abate in the proportion that the Rentable Area of the part of the Leased Premises for which this lease is cancelled bears to the Rentable Area of the Leased Premises, and this lease will be amended accordingly.

(d) If the landlord shall exercise such right the Tenant shall surrender possession of the Leased Premises or the cancelled portion thereof on the date set forth in such notice in accordance with the provisions of this Lease relating to surrender of the Leased Premises at the expiration of the Term.

(e) If the Landlord shall not exercise the right to cancel this Lease or a proportion thereof, as above provided after the receipt of the Tenant's written request, then the Landlord's consent to such request shall not be

unreasonably withheld. In no event shall any Transfer to which the Landlord may have consented release or relieve the Tenant from its obligations fully to perform all the terms, covenants and conditions of this Lease on its part to be performed. No consent by the Landlord to any Transfer shall be construed to mean that the Landlord has consented or will consent to any further Transfer.

(f) Documents evidencing the Landlord's consent to a Transfer, if permitted or consented to by the Landlord, will be prepared by the Landlord or its solicitors and all related legal costs will be paid by the Tenant to the Landlord or its solicitors, as Additional Rent, within fifteen (15) days after receipt of an invoice from the Landlord setting out reasonable particulars of the charges.

(g) If after the date of execution of this Lease shares not listed for sale on a recognized stock exchange in Canada or the United States in the capital of either the Tenant or a corporation that controls the Tenant are transferred by sale, assignment, bequest, inheritance, operation of law or other disposition, or are issued by subscription or allotment, or are cancelled or redeemed, so as to result in a change in the effective voting or other control of the Tenant, or of a corporation that controls the Tenant, by the person or persons holding control on the date of execution of this Lease, or if other steps are taken to accomplish a change of control, the Tenant promptly will notify the Landlord in writing of the change of control, which will be considered to be an assignment of this Lease to which the provision of this Article shall apply. Whether or not the Tenant notifies the Landlord, unless the Landlord previously had consented to the change of control, the landlord may, within sixty (60) days after it learns of the change in control, notify the Tenant that it elects to terminate this Lease. The Tenant will make available to the landlord or its lawful representative all PERTINENT corporate books and records of the Tenant and of any corporation that controls the Tenant for inspection at all reasonable times, to ascertain to the extent possible whether there has been a change of control. For the purposes of this section, control means the direct or indirect beneficial ownership of more than fifty percent (50%) of the voting shares in the capital of a corporation.

(h) If an approved Transferee has sublet or taken an assignment of all or part of the leased Premises from the Tenant and has agreed to pay the Tenant a rent or other amount in respect of the Leased Premises or any part of the Leased Premises that exceeds the rent payable by the Tenant to the Landlord (or a pro-rated portion of such rent in the case of a sublease or assignment of less than the entire Leased Premises), the Tenant will pay to the Landlord monthly, as additional rent, together with basic rent, an amount equal to the excess rent or other amount received or receivable by the Tenant from the Transferee.

(i) If the Landlord sells or otherwise disposes of the Building or an interest in the Building or in this Lease to the extent that the purchaser or assignee assumes responsibility for compliance with the covenants and obligations of the Landlord under this Lease, the Landlord without further written agreement will be relieved of liability under the covenants and obligations.

(j) The Tenant covenants and agrees that it shall not grant to any lender or other creditor an assignment, mortgage or charge of its interest in any

sublease of all or any part of the Leased Premises or of its interest in any of the rents payable under any such sublease. The Tenant hereby agrees that upon the request of the Landlord from time to time, it shall assign unto the Landlord, as security for the payment of the rent under this Lease, all of its right, title and interest in the rents payable under any and all such sublease. Such assignment shall be acceptable to the Landlord as to form and content and it is agreed that the Landlord may withhold its consent to a proposed sublease if the Tenant fails to execute the assignment.

ARTICLE 10
FIXTURES AND IMPROVEMENTS

The Landlord and Tenant further covenant and agree as follows:

Installation Fixtures and Improvements

10.01(a) AFTER FEBRUARY 1, 1997 the Tenant will not make, erect, install or alter any of Improvements or trade fixtures in the Leased Premises without having requested and obtained the Landlord's prior written approval, which the Landlord shall not unreasonably withhold.

(b) AFTER FEBRUARY 1, 1997 in making, erecting, installing or altering any Leasehold Improvements or trade fixtures the Tenant will not alter or interfere with any installations which have been made by the Landlord without the prior written approval of the Landlord, and in no event shall alter or interfere with or affect the structural elements or the strength or outside appearance of the Building, or the mechanical, electrical, plumbing and climate control systems thereof or the window coverings installed by the Landlord on exterior windows.

(c) The Tenant's request for any approval hereunder shall be in writing and accompanied by an adequate description of the contemplated work and where appropriate, working drawings and specifications therefor. Any out-of-pocket expenses incurred by the Landlord in connection with any such request for approval shall be deemed incurred by way of an Additional Service. All work to be performed by competent contractors and subcontractors of whom the Landlord shall have approved (such approval not to be unreasonably withheld, but provided that the Landlord may require that the Landlord's contractors and subcontractors be engaged for any mechanical or electrical work) and by workmen whose labour affiliations are compatible with those of workmen employed by the Landlord and its contractors and subcontractors. At the option of the Landlord, all such work shall be subject to inspection by and the reasonable supervision of the Landlord, as an Additional Service, and shall be performed in accordance with any reasonable conditions or regulations imposed by the Landlord (including without limitation the examination by the Landlord's Architect or other experts of the detailed drawings and specifications as an Additional Service and contractor's liability insurance in reasonable amounts) and completed in a good and workmanlike manner in accordance with the description of the work approved by the Landlord.

Liens and Encumbrances on Fixtures and Improvements

10.02 In connection with the making, erection, installation or alteration of Leasehold Improvements and on trade fixtures and all other work or installations made by or for the Tenant in the Leased Premises the Tenant shall comply with all the provisions of the applicable provincial legislation in respect of mechanics' (builders') liens and workmen's (workers') compensation and other statutes from time to time applicable thereto

(including any provision requiring or enabling the retention of portions of any sums payable by way of holdbacks) and except as to any such holdback shall promptly pay all accounts relating thereto. The Tenant will not create or cause to be created any mortgage, conditional sale agreement or other encumbrance in respect of the Leasehold Improvements or permit any such mortgage, conditional sale agreement or other encumbrance to attach to the Leased Premises or the Building or any part thereof. If and whenever any mechanics' (builders') or other lien for work, labour, services or materials supplied to or for the Tenant or for the cost of which the Tenant may be in any way liable or claims therefor shall arise or be filed or any such mortgage, conditional sale agreement or other encumbrance shall attach, the Tenant shall within twenty (20) days after receipt of notice thereof procure the discharge thereof, including any certificate of action registered in respect of any lien, by payment or giving security or in such other manner as may be required or permitted by law, and failing which the Landlord may in addition to all other remedies hereunder avail itself of its remedy under Section 13.01 and may make any payments required to procure the discharge of any such liens or encumbrances, shall be reimbursed by the Tenant as provided in Section 13.01, and its right to reimbursement shall not be affected or impaired if the Tenant shall then or subsequently establish or claim that any lien or encumbrance so discharged was without merit or excessive or subject to any abatement, set-off or defence.

Tenant's Goods

10.03 The Tenant covenants that it will not sell, dispose of or remove any of the trade fixtures, goods or chattels of the Tenant from or out of the Leased Premises, during the Term without the consent of the Landlord, unless the Tenant is substituting new trade fixtures, goods or chattels of equal value or is bona fide disposing of individual items in the normal course of its business. The Tenant further covenants that OTHER THAN GOODS AND CHATTELS WHICH ARE LEASED BY THE TENANT it will at all times have and retain full legal and beneficial ownership of its trade fixtures, goods and chattels and will not permit them to be or become subject to any lien, mortgage, charge, encumbrance or title retention agreement except such as are bona fide incurred for the purpose of financing the purchase of such trade fixtures, good or chattels.

Removal of Fixtures and Improvements

10.04 All Leasehold Improvements in or upon the Leased Premises installed by the Tenant shall immediately upon termination of this Lease be and become the Landlord's property without compensation therefor to the Tenant. Except to the extent herein or otherwise expressly agreed by the Landlord in writing, no Leasehold Improvements, trade fixtures, furniture or equipment shall be removed by the Tenant from the Leased Premises either during or at the expiration or sooner termination of the Term, except that (1) the Tenant, if not in default hereunder, may at the end of the Term remove its trade fixtures; (2) the Tenant, if not in default hereunder, may remove its furniture and equipment at the end of the Term; and (3) the Tenant shall at the end of the Term remove such of the Leasehold Improvements installed by it, and such of its trade fixtures, furniture and equipment as the Landlord shall require to be removed. The Tenant shall, in the case of every removal either during or at the end of the Term, make good any damage caused to the Leased Premises and/or the Building by the installation and removal.

ARTICLE 11
INSURANCE AND LIABILITY

The Landlord and Tenant further covenant and agree as follows:

Tenant's Insurance

11.01 The Tenant shall take out and keep in force during the Term:

(a) comprehensive general public liability insurance (covering bodily injury, death and property damage) on an occurrence basis with respect to all construction, installation and alteration done in the Leased

Premises by the Tenant, the business carried on, in or from the Leased Premises and the Tenant's use and occupancy thereof, of not less than $1,000,000.00;

(b) insurance in such amounts as may be reasonably required by the Landlord in respect of fire and such other perils as are from time to time defined in the usual extended coverage endorsement covering the Tenant's trade fixtures and the furniture and equipment of the Tenant and all Leasehold Improvements of the Tenant, and which insurance shall include the Landlord as a named insured as the Landlord's interest may appear with respect to insured Leasehold Improvements and provide that any proceeds recoverable in the event of loss to Leasehold Improvements shall be payable to the Landlord but the Landlord agrees to make available such proceeds toward the repair or replacement of the insured property if this Lease is not terminated pursuant to any provision hereof, and if this Lease is terminated for reasons other than the default of the Tenant hereunder, the Landlord and Tenant agree that the proceeds shall be divided between the Landlord and the Tenant as their respective interest in the Leasehold Improvements may appear, (as determined by agreement or failing agreement by arbitration pursuant to Section 15.10 hereof); and

(c) plate glass insurance (if there shall be plate glass in the Lease Premises) in amount and on terms satisfactory to the Landlord.

All insurance required to be maintained by the Tenant hereunder shall be in amounts and on terms REASONABLY satisfactory to the Landlord. Such insurance shall be by policies in form satisfactory from time to time to the Landlord and with insurers acceptable to the Landlord, ACTING REASONABLY, and shall provide that such insurers shall provide to the Landlord thirty (30) days prior written notice of cancellation or material alteration of such policies. Each policy shall name the Landlord as an additional insured except for coverage for the Tenant's trade fixtures and furnishings and equipment but including coverage for Leasehold Improvements in respect contain a waiver of cross-claim and subrogation against the Landlord and shall protect and indemnify both the Landlord and the Tenant. The Tenant shall furnish to the Landlord certificates, or, if required by the Landlord, certified copies of the policies (signed by the insurers) of the insurance from time to time required to be effected by the Tenant and evidence acceptable to the Landlord of their continuation in force. If the Tenant shall fail to take out, renew and keep in force such insurance the Landlord may do so as the agent of the Tenant and the Tenant shall repay to the Landlord any amounts paid by the Landlord as premiums forthwith upon demand.

11.02 The Tenant covenants and agrees that:

(a) the Landlord shall not be liable for any bodily injury to or the death of, or loss or damage to any property belonging to, the Tenant or its employees, invitees, or licensees or any other person (on Land for the purpose of attending at the Leased Premises), on or about the Land, unless resulting from the actual fault or negligence of the Landlord. Provided that, THE LANDLORD IS NOT DEEMED RESPONSIBLE, in no event shall the Landlord be liable for any consequential injury, loss or damage, or:

(i) for any injury or damage of any nature whatsoever to any persons or property caused by the failure by reason of a breakdown or other cause, to supply adequate drainage, snow or ice removal, or by reason of the interruption of any public

utility or other service, or in the event of gas, steam, water, rain, snow, ice, or other substances leaking, issuing or flowing from the water, steam, sprinkler or drainage pipes or plumbing of the Building or from any other place or quarter, into any part of the Leased Premises or for any loss or damage caused by or attributable to the condition or arrangement of any electric or other wiring or for any damage caused by anything done or omitted to be done by any other tenant of the Building;

(ii) for any act or omission (including theft, malfeasance or negligence) on the part of any agent, contractor or person from time to time employed by it to perform janitor services, security services, maintenance, supervision or Additional Services or any other work in or about the Leased Premises or the Building. THE LANDLORD, ACTING REASONABLY, SHALL ENSURE THAT SUCH SERVICES SHALL CARRY SUFFICIENT AND APPROPRIATE INSURANCE AND/OR ARE BONDED;

(iii) for loss or damage, however caused, to money, securities, negotiable instruments, papers or other valuables of the Tenant, including any consequential loss or damage resulting therefrom; or

(iv) for loss or damage to any automobiles or their contents for the unauthorized use by other tenants or strangers of parking space allotted to the Tenant, but the covenants to indemnify the Landlord against and from all loss, costs, claims and demands in respect of any such injury or loss to it or its employees, invitees or licensees or any other person on the Land for the purpose of attending at the Leased Premises or in respect of any such damage to property belonging to or entrusted to the care of any of the aforementioned;

(b) the Landlord shall have no responsibility or liability for the failure to supply interior climate control or elevator service when prevented from doing so by strikes, the necessity of repairs, any order or regulation of any body having jurisdiction, the failure of the supply of any utility required for the operation thereof or any other cause beyond the Landlord's reasonable control, and shall not be held responsible for indirect or consequential damages or other damages for personal discomfort or illness or injury resulting therefrom or for any bodily injury, death or damage to property arising from the use of, or any happening in or about, any elevator;

(c) the Landlord may require one (1) year after the Tenant has fully occupied the Leased Premises in order to adjust and balance the climate control system and the Landlord shall not be responsible for any inconvenience, discomfort, damages, loss or claims whatsoever arising out of the process of such adjustment or balancing;

(d) the Landlord shall be under no obligation to repair or maintain or insure the Tenant' s Leasehold Improvements, furniture, equipment or other property;

(e) the Landlord shall be under no obligation

to remedy any default of the Tenant, and shall not incur any liability to the Tenant for any act or

omission in the course of its curing or attempting to cure any such default or in the event of its entering upon the Leased Premises to undertake any examination thereof or any work therein or in the case of any emergency.

11.03 The Tenant agrees to defend, indemnify and save harmless the Landlord in respect of all claims for bodily injury or death, property damage or other loss or damage arising howsoever out of the use or occupation of the Leased Premises or from the conduct of any work by or any act or omission of the Tenant or any assignee, subtenant, agent, employee, contractor, invitee or licensee of the Tenant, and in respect of all costs, expenses and liabilities incurred by the Landlord in connection with or arising out of all such claims, including the expenses of any action or proceeding pertaining thereto, and in respect of any loss, cost, expense or damage suffered or incurred by the Landlord arising from any breach or non-performance by the Tenant of any of its covenants or obligations under this Lease. The Tenant's obligation to observe or perform this covenant shall survive the expiration or other termination of the Term of this Lease.

ARTICLE 12
SUBORDINATION, ATTORNMENT, REGISTRATION AND CERTIFICATES

The Tenant agrees with the Landlord that:

Subordinations and Attornment

12.01 This Lease and all rights of the Tenant are subject and subordinate to all mortgages, trust deeds or trust indentures (and all instruments supplemental thereto) or other forms of loan security now or hereafter existing which may now or hereafter affect the Land or Building and to all renewals, modifications, consolidations, replacements and extensions thereof; provided that the Tenant whenever requested by any mortgagee (including any trustee under a trust deed or trust indenture) shall attorn to such mortgagee as the tenant upon all terms of this Lease. The Tenant agrees to execute promptly whenever requested by the Landlord or by such mortgagee an instrument or subordination and/or attornment, as may be required of it.

Registration

12.02 The Tenant will not register this Lease in this form in the Registry Office or the Land Titles Office and will not request or apply for issue for a leasehold title for this Lease. If the Tenant desires to make a registration in respect of this Lease, the Tenant shall effect registration by caveat or by a short form of lease, provided that such caveat or short form of lease shall not disclose the rental rate or rates payable under this Lease.

Certificates

12.03 The Tenant shall promptly whenever requested by the Landlord from time to time execute and deliver to the Landlord (and if required by the Landlord, to any mortgagee (including any trustee under a trust deed or trust indenture) designated by the Landlord a certificate in writing as to the status of this Lease, including as to whether it is in full force and effect, is modified or unmodified, confirming the rental payable hereunder and the state of the accounts between the Landlord and Tenant, the existence or non-existence of defaults, and any other matter pertaining to this Lease as to which the Landlord shall request a certificate.

ARTICLE 13
REMEDIES OF LANDLORD AND TENANT'S DEFAULT

The Landlord and Tenant further covenant and agree as follows:

Remedying by Landlord Non-Payment and Interest

13.01 In addition to all rights and remedies of the Landlord available to it in the event of any default hereunder by the Tenant either by any other provisions of this Lease or by statute or the general law, the Landlord:

(a) shall have the right (but shall not be obligated to) at all times to remedy or attempt to remedy any default of the Tenant, and in so doing may make any payments due or alleged to be due by the Tenant to third parties and may enter upon the Leased Premises to do any work or other things therein, and in such event all expenses of the Landlord in remedying or attempting to remedy such default shall be payable by the Tenant to the Landlord forthwith upon demand, together with a fee for supervision for carrying out the Tenant's obligations in an amount equal to the product of the Prime Rate plus two percent (2%) multiplied by the cost of repairs or other work carried out by or under the supervision of the Landlord which amount shall be in addition to the incurred costs of such work;

(b) may recover as additional rent all sums paid or expenses incurred hereunder by the Landlord, which ought to have been paid or incurred by the Tenant, or for which the Landlord hereunder is entitled to reimbursement from the Tenant, and any interest owing to the Landlord hereunder, by any and all remedies available to it for the recovery of rent in arrears;

(c) if the Tenant shall fail to pay any rent or other amount from time to time, payable by it to the Landlord hereunder promptly when due, shall be entitled to interest thereon at the Prime Rate plus two percent (2%) per annum from the date upon which the same was due until actual payment thereof.

Remedies Cumulative

13.02 The Landlord may from time to time resort to any or all of the rights and remedies available to it in the event of any default hereunder by the Tenant, either by any provision of this Lease or by statute or the general law, all of which rights and remedies are intended to be cumulative and not alternative, and the express provision hereunder as to certain rights and remedies are not to be interpreted as excluding any other or additional rights and remedies available to the Landlord by statute or the general law.

Right of Re-entry on Termination

13.03 If this Lease shall have become terminated pursuant to any provision hereof, or if the Landlord shall have become entitled to terminate this Lease and shall have given notice terminating it pursuant to any provisions hereof, then and in every such case it shall be lawful for the Landlord thereafter to enter into and upon the Leased Premises or any part thereof in the name of the whole and the same to have again, repossess and enjoy as of its former estate.

Re-entry and Termination

13.04 If and whenever the Landlord becomes entitled to or does re-enter the Leased Premises under any provision of this Lease, the Landlord, in addition to all other rights and remedies, shall have the right to terminate this Lease forthwith by leaving upon the Leased Premises notice in writing of such termination, and in such event the Tenant shall forthwith vacate and surrender the Leased Premises.

Rights on Re-entry

13.05 Whenever the Landlord becomes entitled to re-enter upon the Leased Premises under any provision of this Lease, the Landlord in addition to all other rights it may have shall have the right to enter the Leased Premises as agent of the Tenant, either by force or otherwise without being liable for any loss or damage occasioned thereby and to re-let them and to receive the rent therefor and as the agent of the Tenant to take possession of any furniture or other property thereon and to sell the same at public or private sale without notice and to apply the proceeds thereof and any rent derived from re-letting the

Leased Premises, after deducting its costs of conducting such sale and its costs of re-letting, upon account of the rent due and to become due under this Lease and the Tenant shall be liable to the Landlord for the deficiency, if any.

Payment of Rent, etc. on Termination

13.06 If the Landlord shall re-enter and this Lease shall be terminated as provided for herein, then the Tenant shall pay to the Landlord on demand:

(a) rent up to the time of re-entry or termination whichever shall be the later plus accelerated rent as herein provided;

(b) all other amounts payable hereunder until such time;

(c) such expenses as the Landlord may incur or have incurred in connection with re-entering or terminating and re-letting, or collecting sums due or payable by the Tenant or realizing upon assets seized including brokerage, legal fees and disbursements, (on a solicitor-client basis) and the expenses of keeping the Leased Premises in good order, repairing the same and preparing them for re-letting them; and

(d) as liquidated damages for the loss of rent and other income of the Landlord expected to be derived from the Lease during the period which would have constituted the unexpired portion of the Term had it not been terminated, the amount, if any, by which the rental value of the Leased Premises for such period established by reference to the terms and provisions of this Lease exceeds the rental value of the Leased Premises for such period established by reference to the terms, and provisions upon which the Landlord re-lets them, if such re-letting is accomplished within a reasonable time after termination of this Lease, and otherwise with reference to all market and other relevant circumstances. Rental value is to be computed in each case by reducing to present worth at an interest rate equal to the then current Prime Rate all rent and other amounts to become payable for such period and where the ascertainment of amounts to become payable requires it, the Landlord may make estimates and assumptions of fact which shall govern unless shown to be unreasonable or erroneous.

ARTICLE 14
EVENTS TERMINATING LEASE

The Landlord and Tenant further covenant and agree as follows:

Cancellation of Insurance

14.01 If any policy of insurance upon the Building from time to time effected by the Landlord shall be cancelled or be about to be cancelled by the insurer or an insurer shall refuse or decline to place or renew insurance EACH AS A reason of the use or occupation of the Leased Premises by the Tenant, OTHER THAN A USE OR OCCUPATION PERMITTED PURSUANT TO PARAGRAPH 4.03 HEREOF, or any assignee, subtenant or licensee of the Tenant or anyone permitted by the Tenant to be upon the Leased Premises and the Tenant after receipt of notice in writing from the Landlord shall have failed to take such immediate steps in respect of such use or occupation as shall enable the Landlord to reinstate, renew, replace or avoid cancellation of (as the case may be), such policy or insurance,, the Landlord may at its option, at anytime and without notice:

(a) enter upon the Leased Premises and remove said use or condition, or

(b) re-enter upon and take possession of the Leased Premises and/or terminate this Lease by leaving upon the Leased Premises notice in writing of such termination.

Default

14.02 If and whenever:

(a) the rent, additional rent, or other moneys payable by the Tenant or any part thereof shall not be paid on the day appointed for payment thereof, whether lawfully demanded or not, and the Tenant shall have failed to pay such rent or other moneys within five (5) BUSINESS days after the Landlord shall have given to the Tenant notice of default in such payment;

(b) The Tenant shall breach or fail to observe or perform any of the covenants, agreements, provisos, conditions, Rules and Regulations or other obligations on the part of the Tenant to be kept, observed, or performed hereunder and shall persist in such failure after fifteen (15) days notice by the Landlord requiring that the Tenant remedy, correct, desist or comply (or in the case of any such breach which reasonably would require more than fifteen (15) days to rectify unless the Tenant shall commence rectifications within the fifteen (15) day period and thereafter promptly and diligently and continuously proceed with the rectification of the breach);

(c) without the written consent of the Landlord, the Leased Premises shall be used by any persons other than the Tenant or its permitted assigns or subtenants or for any purpose other than that for which they were leased, or occupied by any persons whose occupancy is prohibited by this Lease;

(d) the Leased Premises shall be vacated or abandoned, or remain unoccupied for fifteen (15) BUSINESS days or more while capable of being occupied;

(e) the Term or any of the goods and chattels of the Tenant shall at any time be taken or be exigible in execution or in attachment or if a writ of execution shall BE ENFORCED, the Tenant shall attempt or threaten to move its goods, chattels or equipment out of the Leased Premises (other than in the ordinary course of its business or as permitted hereunder) or shall cease to conduct business from the Leased Premises;

(f) the Tenant shall make a general assignment for the benefit of creditors or a bulk sale of its goods or if a receiver shall be appointed for the business, property, affairs or revenues of the Tenant; or

(g) the Tenant shall become insolvent or commit an act of bankruptcy or become bankrupt or take the benefit of any statute now or hereafter in force for bankrupt or insolvent debtors or (if a corporation) shall take any steps or suffer any order to be made for its winding-up or other termination of its corporate existence;

then and in any of such cases, at the option of the Landlord, the full amount of the current month's and the next three (3) months' monthly rent shall immediately become due and payable and the Landlord may immediately distrain for the same, together with any

arrears then unpaid; and the Landlord may without notice or any form of legal process forthwith re-enter and take possession of the Leased Premises or any part thereof in the name of the whole and remove and sell the Tenant's goods, chattels and equipment therefrom, any rule of law or equity to the contrary notwithstanding; and the Landlord may seize and sell such goods, chattels and equipment of the Tenant as are in the Leased Premises or at any place to which the Tenant or any other person may have removed them in the same manner as if they had remained and been distrained upon the Leased Premises; and such sale may be effected in the discretion of the Landlord either by public auction or by private treaty; and either in bulk or by individual item, or partly by one means and partly by another, all as the Landlord in its entire discretion may decide.

ARTICLE 15
MISCELLANEOUS

The Landlord and Tenant further covenant and agree as follows:

Notices

15.01 All notices, demands, requests, consents, approvals and other instruments required or permitted to be given pursuant to the terms of this Lease shall be given in writing and shall be deemed to have been properly given if personally served, sent by registered mail or certified mail (postage prepaid with return receipt requested) or sent by telegram or by confirmed receipt of facsimile with report of delivery to:

The Landlord at: Sun Life Assurance Company of Canada
#210, 140 - 4 Avenue S.W.
Calgary, Alberta
T2P 3N3

The Tenant at: 200, 6715 8th St. N.E.
Calgary, AB
T2E 7H7

Provided, however, that such addresses may be changed upon five (5) business days written notice or confirmed receipt of facsimile thereof, similarly given to the other party.

The date of receipt of any such notice, demand, request, consent, approval or other instrument shall be deemed to be as follows:

(a) in the case of personal service, the date of service;

(b) in the case of registered mail or certified mail, the fifth (5th) business day following the date of delivery to the Post Office, provided, however, that in the event of an interruption of normal mail service, service shall be effected by personal delivery;

(c) in the case of telegram, the business day next following the day of sending.

Entire Agreement

15.02 The Parties acknowledge that there are no covenants, representations, warranties, agreements or conditions expressed or implied relating to this Lease or the Leased Premises save as expressly set out in this Lease. This Lease may not be modified except by an agreement in writing executed by the Landlord and the Parties.

Area Determination

15.03 In the event that any calculation or determination by the Landlord of the Rentable Area or Gross Area of any premises (including the Leased Premises) of the Building is disputed or called into question, it shall be calculated or determined by the Landlord's Architect, USING BOMA STANDARDS, whose certification shall be conclusive.

Successors and Assigns, Interpretation

15.04 This Lease and everything herein contained shall enure to the benefit of and be binding upon the successors and assigns of the Landlord and theirs, executors, administrators, successors and permitted assigns of the Tenant. References to the Tenant shall be read with such changes in gender as may be appropriate, depending on whether the Tenant is a male or female person or a firm or corporation, and if the Tenant is more than one person or entity, the covenants of the Tenant shall be deemed joint and several.

Force Majeure

15.05 Save and except for the obligations of the Tenant as set forth in this Lease to pay rent, additional rent, increased rent and other moneys to the Landlord, if either party shall fail to meet its obligations hereunder within the time prescribed, and such failure shall be caused or materially contributed to by force majeure (and for the purpose of this Lease, force majeure shall mean any acts of God, strikes, lockouts, or other industrial disturbance, acts of the Queen's enemies, sabotage, war, blockades, insurrections, riots, epidemics, lightning, earthquakes, storms, fires, washouts, nuclear and radiation activity or fallout, arrests, and restraints of rulers and people, civil disturbances, explosions, breakage of or accident to machinery, inability to obtain materials or equipment, any legislative, administrative or judicial action which has been resisted in good faith by all reasonable legal means, any act, omission or event whether of the kind enumerated or otherwise not within the control of such part, and which by the exercise of due diligence such party could not have prevented (but lack of funds on the part of such party shall be deemed not to be a force majeure), such failure shall be deemed not to be a breach of the obligations of such party hereunder but such party shall use reasonable diligence to put itself in a position to carry out its obligations hereunder.

Waiver

15.06 Failure of the Landlord to insist upon strict performance of any of the covenants or conditions of this Lease or to exercise any right or option herein contained shall not be construed as a waiver or relinquishment of any such covenant, condition, right or option, but the same shall remain in full force and effect. The Tenant undertakes and agrees, for itself and for any person claiming to be a subtenant or assignee, that the acceptance by the Landlord of any rent from any person other than the Tenant shall not be construed as a recognition of any rights not herein expressly granted, or as a waiver of any of the Landlord's rights, or as an admission that such person is, or as a consent that such person shall be deemed to be, a subtenant or assignee of this Lease, irrespective of whether the Landlord or said person claims that such person is a subtenant or assignee of this Lease. The Landlord may accept rent from any person occupying the Leased Premises at any time without in any way waiving any right under this Lease.

Governing Law, Covenants, Severability

15.07 This Lease shall be governed by and construed in accordance with the laws of the province in which the Building is situate. The Landlord and the Tenant agree that all of the provisions of this Lease are to be construed as covenants and agreements as though the words importing such covenants and agreements were used in each separate section hereof. Should any provision or provisions of this Lease be illegal or not enforceable, it or they shall be considered separate and severable from the Lease and its remaining provisions shall remain in force and be binding upon the parties hereto as though the said provision or provisions had never been included.

Headings, Captions

15.08 The heading and captions appearing in this Lease have been inserted for convenience of reference only and in no way define, limit or enlarge the scope or meaning of this Lease or of any provision hereof.

Expropriation

15.09 If at any time during the Term of this Lease title is taken by the right or exercise of condemnation or expropriation to the whole or a portion of the Building (whether or

not including the Leased Premises) the Landlord may, at its option, give notice to the Tenant terminating this Lease on the date stated in the said notice. Upon such termination, the Tenant shall immediately surrender the Leased Premises and all its interest therein to the Landlord, and the rent shall abate and be apportioned to the date of termination and the Tenant shall forthwith pay to the Landlord the apportioned rent and all other amounts which may be due to the Landlord up to the date of termination. The Tenant shall have no claim upon the Landlord for the value of the unexpired Term of this Lease, but the parties shall each be entitled to separately advance their claims for compensation for the loss of their respective interests in the Leased Premises and the parties shall be entitled to receive and retain such compensation as may be awarded to each respectively.

Arbitration

15.10 That in the case of any dispute between the Landlord and the Tenant during the Term hereof as to any matter which by the provisions hereof is required to be determined by arbitration in accordance with the provisions of this Section, the matter in dispute shall be referred to a single arbitrator appointed by the parties for determination. If the parties cannot agree on a single arbitrator, then upon the application of either party a Justice of the Superior Court of the province in which the Building is situate shall appoint an arbitrator whose sole determination shall be final. The arbitrator shall be a disinterested party of recognized competence in the real estate business in the city in which the Building is situate. The expense of such arbitration shall be conducted in accordance with the provisions of the Arbitration Act of the province in which the Building is situate and any amendments thereto or successors to such statute which provisions shall apply mutatis mutandis.

ARTICLE 16
DEFINITIONS

Definitions

The Landlord and Tenant further covenant and agree as follows:

(a) "Landlord's Architect" means the independent architect, or engineer or quantity surveyor selected by the Landlord from time to time for the purpose of making determinations hereunder.

(b) The terms "Land" and "building" have the meanings set out on page one hereof.

(c) "Leased Premises" means that portion of the Building shown outlined in red on the Plan attached as Schedule "B" hereto and described on page 1 hereof. The exterior face of the Building and any space in the Leased Premises used for stairways or passageways to other premises, stacks, shafts, pipes, conduits, ducts or other building facilities, the heating, electrical, plumbing, air conditioning and other systems in the Building and the use thereof, as well as access thereto through the Leased Premises for the purpose of use, operation, maintenance, replacement and repair, are expressly excluded from the Leased Premises and reserved to the Landlord.

(d) "Leasehold Improvements" means all fixtures, improvements, installations, alterations and additions from time to time made, erected or installed by or on behalf of the Tenant with the exception of trade fixtures and furniture and equipment not of the nature of fixtures, and includes all wall-to-wall carpeting (whether or not supplied by the Landlord), and drapes supplied by the Landlord.

(e) "Term" means the term of this Lease set forth in Section 2.01 and any extension thereof and any period of permitted overholding.

(f) "Normal Business Hours" means the hours from 7:30 a.m. to 6:00 p.m., Monday to Friday, inclusive, of each week, and the hours from 7:30 a.m. to 1:00 p.m., Saturdays, statutory holidays excepted.

(g) "Rentable Area" in the case of a whole floor shall mean the area within the outside walls and shall be computed by measuring to the glass line (that is, the inside surface of the windows) on the outer Building walls without deduction for columns and projections necessary to the Building, but shall not include stairs and elevator shafts (supplied by the Landlord for use in common with other tenants), flues, stacks, pipes, shafts or vertical ducts with their enclosing walls.

(h) "Rentable Area" in the case of part of a floor shall mean all the area occupied and shall be computed by measuring from the glass line (that is, the inside surface of the windows) on the outer Building walls to the office side of corridors or other permanent partitions which separate the area occupied from adjoining Rentable Areas without deduction for columns and projections necessary to the Building but shall not include stairs and elevator shafts (supplied by the Landlord for use in common With other tenants) flues, stacks, pipe shafts or vertical ducts with their enclosing walls within the area occupied or janitorial or electrical or telephone closets not for the exclusive use of the Tenant.

(i) "Service Areas" shall mean the area of corridors, fire protection cross-over corridors, elevator lobbies, washrooms, air-conditioning rooms, fan rooms, janitor's closets, telephone and electrical closets and other closets serving the Lease Premises in common with other premises.

(j) "Gross Area" of any Leased Premises means:

(i) in the case of Leased Premises consisting of a whole floor or whole floors the Rentable Area thereof; and

(ii) in the case of Leased Premises consisting of or including only part of a floor of the Building, the Rentable Area thereof plus an amount equal to the product of (a) the fraction having as its numerator the Rentable Area contained in the Leased Premises on such floor and as its denominator the sum of the Rentable Areas of such floor, multiplied by (b) the total area in square feet of Service Areas, if any, on such floor.

(k) "Total Rentable Area" shall mean the total Rentable Area of the Building whether rented or not, calculated as if the Building were entirely occupied by tenants renting whole floors. The lobby and entrances on the ground floor and subsurface floors used in common by tenants, mechanical equipment areas and areas rented or to be rented for automobile parking or for storage, shall be excluded from the foregoing calculations. The calculation of the Total Rentable Area, whether rented or not, shall be determined by the Landlord's Architect upon completion of the Building and shall be adjusted from time to time to

give effect to any structural or
fractional change affecting the same.

(l) "Additional Services" means the services and supervision supplied by the Landlord and referenced in Section 8.06 or in any other provision hereof as Additional Services, and any other services which from time to time the Landlord supplies to the Tenant and which are additional to the janitor and cleaning and other services which the Landlord has agreed to supply pursuant to the provisions of this Lease and to like provisions of other leases of the Building or may elect to supply to be included within the standard level of services available to tenants generally and includes janitor and cleaning services, in addition to those normally supplied, the provision of labour and supervision in connection with deliveries, supervision in connection with the moving of any furniture or equipment of any tenant and the making of any repairs or alterations by the tenant and maintenance or other services not normally furnished to tenants generally.

(m) "Cost of Additional Services" shall mean in the case of Additional Services provided by the Landlord a reasonable charge made therefor by the Landlord which shall not exceed the cost of obtaining such services from independent contractors and in the case of Additional Services provided by independent labour (including salaries, wages and fringe benefits) and materials and other direct expenses incurred, the cost of supervision and other indirect expenses capable of being allocated thereto (such allocation to be made upon a reasonable basis) and all other out-of-pocket expenses made in connection therewith including amounts paid to independent contractors, plus the Landlord's then current administration fee. A report of the Landlord's accountant (who may be the Landlord's internal auditor or accountant) as to the amount of any Cost of Additional Services shall be conclusive.

(n) "Taxes" means all taxes, rates, duties, levies and assessments whatsoever, whether municipal, provincial, federal or otherwise, levied, imposed or assessed against the Building, the Land and any Leasehold Improvements or any of them or upon the Landlord in respect thereof or from time to time levied, imposed or assessed in lieu thereof, including those levied, imposed or assessed for education, schools and local improvements, and including all costs and expenses (including legal and other professional fees and interest and penalties on deferred payments) incurred by the Landlord in good faith in contesting, resisting or appealing any taxes, rates, duties, levies or assessments but excluding taxes and license fees in respect of any business carried on by tenants and occupants of the Building (including the Landlord) and income or profits taxes upon the income of the Landlord to the extent such taxes are not levied in lieu of taxes, rates, duties, levies and assessments against the Building, the Land or Leasehold Improvements or upon the Landlord in respect thereof and shall also include any and all taxes which may in the future by levied in lieu of Taxes as hereinbefore defined.

(o) "Operating Costs" means the total of all expenses, costs and outlays of every nature incurred in the complete maintenance, repair, operation and management of the Building and the Land and a reasonable proportion as determined by the Landlord from time to time of all expenses incurred by or on behalf of

tenants in the Building with whom the Landlord may from time to time have agreements whereby in respect of their premises such tenants perform any cleaning, maintenance or other work or services usually performed by the Landlord, and which expenses if directly incurred by the Landlord

would have been included in Operating Costs. Without limiting the generality of the foregoing, Operating Costs shall include (but subject to certain deductions as hereinafter provided):

(i) the cost of providing complete cleaning, janitor, supervisory and maintenance services;

(ii) the cost of operating elevators;

(iii) the cost of heating, cooling and ventilating all space including both rentable and non-rentable areas;

(iv) the cost of providing hot and cold water, electric light and power, telephone, sewer, gas and other utilities and services to both rentable and non-rentable areas;

(v) the cost of all repairs including repairs to the Building, equipment, or services (including elevators);

(vi) the cost of window cleaning;

(vii) the cost of providing security and supervision;

(viii) the costs of all insurance for or against liability, fire, extended perils, loss of rental, elevator liability, plate glass, boiler, sprinkler leakage and all such other casualties and losses as the Landlord may elect to insure against; and if the Landlord shall elect in whole or in part to self-insure, the amount of reasonable contingency reserves not exceeding the amount of premiums which would otherwise have been incurred in respect of the risks undertaken;

(ix) accounting costs incurred in connection with the maintenance, repair, operation or management including computations required for the imposition of charges to tenants and audit charges required to be incurred for the determination of any costs hereunder;

(x) the reasonable rental value (having regard to the rentals prevailing from time to time for similar space) of space utilized by the Landlord in connection with the maintenance, repair, operation or management of the Building and the Land; (xi) the amount of all salaries, wages and fringe benefits paid to employees engaged in the maintenance, repair, operation or management of the Building and the Land;

(xii) amounts paid to independent contractors for any services in connection with such maintenance, repair, operation or management;

(xiii) the cost of direct supervision and of management and all other indirect expenses to the extent allocable to the maintenance, repair or operation of the Building and the Land;

(xiv) the cost of any management fees or management agent fees (if

any for the Building), (or of the Landlord if it elects to manage the Building itself), in an amount not exceeding four percent (4%) of the gross rentals received or receivable from the Building;

(xv) depreciation of the cots of machinery, equipment, facilities, systems, and property (individually and collectively in this clause called "machinery") installed in or used in connection with the Building (except to the extent that the costs are charged fully to income account in the Landlord's tax year in which they are incurred) if a principal purpose or intention of such installation or use is to conserve energy or to reduce the cost of other items included in Operating Costs and interest on the undepreciated portion of the original cost of such machinery, payable monthly, from the date on which the relevant cost was incurred, at an annual rate of interest that is two percentage points above the Prime Rate in effect on the date on which the relevant cost was incurred, (the rate of interest to be applied to the undepreciated portion of the original cost, in each case, to be adjusted, as long as a rate is required, every five years, on the anniversary date of the acquisition of the relevant machinery, to the annual rate of interest that is two percentage points above the Prime Rate then in effect); the depreciation costs and interest charged under this clause in respect of machinery installed or used to conserve energy or reduce the cost of other items included in Operating Costs may be equal to, but in no event shall exceed in any year the savings resulting from such installation or use, estimated by the Landlord, acting reasonably;

(xvi) cost of services by and salaries for elevator operators, porters, sidewalk shovellers, window cleaners, janitors, cleaners, dusters, handymen, watchmen, commissionaires, caretakers, security personnel, carpenters, engineers,firemen, mechanics, electricians, plumbers, and other persons or firms engaged in the operating, maintenance and repair of the Building, or the heating, air conditioning, ventilating, plumbing, electrical and elevator systems in the Building and superintendents, and accounting and clerical staff attached to the Building superintendent's or manager's office;

(xvii) uniforms of employees and agents;

(xviii) supplies and equipment used in connection with the repair, maintenance, management, caretaking and operating of the Building (including without limitation straight-line amortization based on tax-deductible depreciation allowance of capitalized cleaning equipment used in the Building);

(xix) supplies and materials for washrooms, and other common facilities;

(xx) workers' compensation costs, unemployment insurance premiums, pension plan contributions, health, accident and group life insurance for employees, managers, and superintendents employed by the Landlord in connection with the Building;

(xxi) servicing and inspection costs for elevators, electrical distribution systems and mechanical, heating, ventilating and air conditioning systems;

(xxii) parking area staff and maintenance costs;

(xxiii) snow and ice removal and related costs;

(xxiv) sales and excise taxes on goods and services provided by the Landlord in the management, operating, maintenance and repair of the Building;

(xxv) REASONABLE costs of stationery supplies and other materials required for the normal operation of the superintendent's or manager's office; and

(xxvi) all other direct and indirect REASONABLE costs and expenses whatsoever to the extent allocable to the operating, maintaining, managing or repairing of the said Land, the Building or any appurtenances thereto.

Notwithstanding any of the foregoing, it is understood and agreed that Operating Costs for any period are to be calculated as if the Building were fully occupied during such period. Therefore, in addition to expenses, costs and outlays actually incurred in the maintenance, repair, operation and management of the Building, the Landlord may include in the calculation and estimation of operating costs, such additional amounts that in the Landlord's estimation would have been incurred had all rentable areas in the Building been fully occupied during the period in question. However, in no event shall the Tenant be required to pay more on account of its proportionate share of Operating Costs that it would be if the Building were fully occupied.

It is understood and agreed that the Building is one of two office buildings contained in the development. In this connection, the Tenant acknowledges that certain materials and services which relate in part to the Building will be incurred in connection with the provision of materials and services for all of the Development. The Tenant therefore agrees that in computing Operating Costs, the Landlord shall be entitled to allocate to the Building a reasonable portion of such Operating Costs that are incurred in respect of the Development generally.

Operating Costs shall exclude (except as herein otherwise provided) Taxes, debt service, depreciation, expenses properly chargeable to capital account, costs determined by the Landlord from time to time to be fairly allocable to the correction of construction faults or initial maladjustments in operating equipment, all management cost not allocable to the actual maintenance, repair or operation of the Building (such as in connection with leasing and rental advertising), work performed in connection with the initial construction of the Building and the Leased Premises, changes for tenants, capital cost of addition, improvements and modernizations to the Building subsequent to date of original construction, advertising and promotion expenses, and expenses of redecorating and renovating space for new tenants.

In computing Operating Costs there shall be credited as a deduction the amounts of proceeds of insurance relating to Insured Damage and other damage actually recovered by the Landlord (or if the Landlord has self-insured, a corresponding application of reserves) applicable to damage, and also electricity and light bulbs, tube and ballast replacement costs and insurance premiums that are directly payable by any tenants, in each case to the extent that the cost thereof was included therein. Any expenses not directly incurred by the landlord but which are included in Operating Costs may be estimated by the Landlord on whatever reasonable basis the Landlord may select if and to the extent that the Landlord cannot ascertain the actual amount of such expenses from the tenants who incurred them. Any report of the Landlord' s accountant (who may be the Landlord's internal auditor or accountant) for such purpose shall be conclusive as to the amount of Operating costs for any period to which such report relates.

(p) "Common Costs" means the aggregate of the Taxes plus the Operating Costs for or incurred in a twelve (12) month period.

(q) "Base Common Costs" means $nil per square foot of the Total Rentable Area;

(r) "Current Common Costs" in respect of any twelve (12) month period means an amount equal to the total Common Costs for such twelve (12) month period divided by the Total Rentable Area;

(s) "Common Costs Escalation" in any twelve (12) month period means an amount equal to:

(i) the amount by which the Current Common Costs for such period exceed the Base Common Costs multiplied by

(ii) the Gross Area of the Leased Premises.

(t) "Insured Damage" means that part of any damage occurring to the Leased Premises to the extent to which the cost of repair is actually recoverable by the Landlord under a policy of insurance in respect of fire or other perils from time to time effected by the Landlord;

(u) "Prime Rate" means that rate of interest charged and published from time to time by the main branch in the city in which the Building is situate, of the Landlord's bank, as its most favourable rate of interest to its most credit-worthy commercial customers and commonly known as its Prime Rate.

ARTICLE 17
SPECIAL PROVISIONS

Required Conditions

17.01 The Tenant acknowledges that certain provisions contained herein are personal to the Tenant and will be available to the Tenant only in the event that certain conditions (the "Required Conditions") have been satisfied. The Required Conditions are as follows:

(a) the Tenant is NOVATEL WIRELESS TECHNOLOGIES LTD.;

(b) the Tenant is in occupation of the Premises; and

(c) the Tenant has not been and is not in default of any of the terms and conditions contained in the Lease including, without limitation, the payment of any rent.

Parking

17.02 The Landlord shall permit for the use of the Tenant during the Term of the Lease, THIRTY FIVE (35) random surface stalls at no cost to the Tenant.

Right to Renew

17.03 This clause is specific and personal solely to the Tenant and, provided that:

a) and subject to the rights of existing tenants on these premises as and when it becomes available for renewal; and

b) the Tenant has duly and regularly paid all of the annual basic rent and additional rent and other sums to be paid pursuant to this Lease and within the times and in the manner set out in this Lease; and

c) the Tenant has duly and regularly observed and performed each and every one of the terms, covenants and conditions contained in this Lease on its part to be observed and performed and within the times and in the manner set out in this Lease; and

d) the Tenant has given notice to the Landlord at least SIX (6) months (but not sooner than TWELVE (12) months) prior to the expiration of the Term of its intention to renew the Lease,

then the Landlord will grant to the Tenant the right to renew this Lease for the Leased Premises on an "as-is" basis, for a further period of THREE (3) years (the "Renewal Term") commencing on the expiration of the Term and such Renewal Term shall be upon the same terms and conditions as are contained during the Term, save and except Leasehold Improvement Allowance, and that there shall be no further right to renew the term and that the annual basic rent during the Renewal Term shall be such amount as may be agreed upon between the parties on or before the commencement of the Renewal Term, based upon the then current market basic rent being charged, without deduction, for similarly improved space in comparable office buildings in the City of Calgary, in any event not less than the last annual basic rent paid during the original Lease Term. If the parties are unable to agree upon the annual basic rent to be charged during the Renewal Term on or before the commencement of the Renewal Term then the annual basic rent shall be determined by arbitration in accordance with the Arbitration Act of Alberta. If the annual basic rent for the Renewal Term is to be determined by arbitration and a final decision under the arbitration is not reached before the commencement of the Renewal Term, the Tenant will pay on account in equal monthly installments, annual basic rent at the rate charged during the Term. After a decision is reached under the arbitration, the Tenant will pay to the Landlord the balance, if any, of annual basic rent then due together with interest on the balance at an annual rate equal to one percentage point above the Prime Rate.

Leasehold Improvement Allowance

17.04 The Landlord shall contribute toward the cost of the Leasehold Improvements installed by the Tenant which by the terms of this Lease shall be the property of the Landlord immediately upon such installation to a maximum of FOURTEEN DOLLARS AND SEVENTY-FIVE CENTS ($14.75) (the Tenant Improvement Allowance) multiplied by the number of square feet comprising the Gross Area of the Leased Premises for which the Tenant pays rent. The Tenant shall be responsible for any costs which exceed the Landlord's maximum contribution. If the Landlord's maximum contribution is not required to complete the Leasehold Improvements, any savings shall be applied towards the Basic Rent as it comes due.

The Landlord will carry out the Improvements in accordance with the design prepared by R S & A Interior Design and dated the 24th day of October, 1996 or as otherwise mutually agreed by the Landlord and Tenant and in accordance with the lawful requirements of all Government bodies having jurisdiction.

The Landlord will not be obliged to commence the Improvements except for any preliminary layout design which the Landlord has authorized in writing, until the Lease has been fully and unconditionally executed in a form acceptable to the Landlord.

The construction drawings and specifications shall be mutually approved by Landlord and Tenant prior to arranging for construction bids.

The Tenant shall retain the right to review, accept or alter the Landlord's selected construction bid for the purpose of deleting any such items deemed necessary to maintain the cost of construction below the maximum allowance provided by the Landlord, provided such deletions in no way make the Improvements below building standards and provided all Improvements continue to meet the requirements of all Government Bodies having jurisdiction.

Lease Termination

17.05 Notwithstanding anything else contained in this Lease, Provided the Tenant's Required Conditions are satisfied, the Tenant with SIX (6) months prior written notice may terminate the Lease on the Anniversary Date of the term at the end of the second year and each year thereafter with a one time payment accompanying the notice as follows:

END OF YEAR	PAYMENTS $S/SQ. FT.	ESTIMATED TOTAL*
2	$10.72	$135,500.00
3	$ 7.20	$ 91,000.00
4	$ 3.44	$ 43,500.00

* Plus GST as applicable

Signage

17.06 The Landlord will permit the Tenant to install signage on the pylon by The Deerfoot Atrium Building at the Tenant's expense in accordance to the Building specifications and design to be approved by the Landlord. Tenant will be required to sign a licence agreement for the sign, at no charge.

Early Occupancy

17.07 If the Landlord completes improvements prior to the Commencement Date, the Landlord will permit the Tenant to take occupancy of the premises, and the net basic rent and proportionate share of taxes and operating costs will be abetted until the Commencement Date. The Landlord will do everything reasonably possible to ensure that the premises are ready for occupancy on December 1, 1996.

Right of Examination

17.08 The Tenant and its duly authorized representatives, shall be permitted, from time to time, during the Landlord's normal business hours, to examine and make copies, at its entire expense at the main offices of the Landlord, all books, ledgers and records of the Landlord required to substantiate the Tenant's Proportionate Share of Additional Rentals, save that such right of examination shall cease NINE (9) months following the date of each annual certification of the amounts payable by the auditors of the Landlord. Payment by the Tenant of the Tenant's Proportionate Share shall not preclude the Tenant from thereafter contesting such amounts. Should the Tenant and its auditors and/or consultants determine there is a bona fide discrepancy of more than three percent (3%) between the Landlord's stated costs and the actual audited costs, then the Landlord shall pay the difference to the Tenant forthwith and be responsible for the cost of the Tenant's audit.

ARTICLE 18
ACCEPTANCE

Acceptance

18.01 The Tenant hereby accepts this Lease of the within described lands and premises to be held by it as Tenant and subject to the conditions, restrictions and covenants above set forth.

SCHEDULES:

"A" - Legal Description of Land

"B" - Plan of Leased Premises

"C" - Rules and Regulations

IN WITNESS WHEREOF the Landlord and Tenant have executed this Lease as of the day and year first above written.

SUN LIFE ASSURANCE COMPANY
OF CANADA

Per: /s/

Landlord

Name (Please Print)

Title

c/s

Per: /s/

Landlord

Name (Please Print)

Title

NOVATEL WIRELESS TECHNOLOGIES, LTD.

Per: /s/

Landlord

Name (Please Print)

Title

c/s

Per: /s/

Landlord

Name (Please Print)

Title

SCHEDULE "A"

LEGAL DESCRIPTION OF LAND
6715 8TH ST. N.E.
CALGARY, AB
T2E 7H7

The northwesterly 110 feet in perpendicular width throughout Lot Nine (9), all of Lots Ten (10) to Fourteen (14) and the southerly 26.50 feet in perpendicular width throughout Lot Fifteen (15) inclusive, Block Two (2), Calgary Deerfoot Business Centre, plan 7911331. Reserving unto her Majesty all Mines and Minerals.

SCHEDULE "B"

[DEERFOOT BUSINESS CENTRE MAP GOES HERE]

SCHEDULE "C"

RULES AND REGULATIONS

1. The landlord shall have the right to control and operate the public portions of the Building and the public facilities, as well as facilities furnished for the common use of the tenants, in such manner as it deems best for the benefit of the tenants generally. No tenant shall invite to the Lease Premises, or permit the visit of, persons in such numbers or under such conditions as to interfere with the use and enjoyment of the entrances, corridors, elevators and facilities of the Building by other tenants.

2. The sidewalks, driveways, entrances, vestibules, passages, corridors, halls, elevators and stairways shall not be encumbered or obstructed by tenants or tenants' agents, servants, employees, licensees or invitees, or be used by them for any purpose other than for ingress to and egress from the Leased Premises. Landlord reserves the right to restrict and regulate the use of aforementioned public areas of the Building by tenants and tenants' agents, employees, servants, licensees and invitees and by persons making deliveries to tenants (including, but not limited to, the right to allocate certain elevator or elevators, if any, and the reasonable hours of use thereof for delivery service), and the right to designate which Building entrance or entrances shall be used by persons making deliveries in the Building.

3. No awnings or other projections shall be attached to the outside walls of the Building. No curtains, blinds, shades or screens other than those furnished by Landlord shall be attached to, or hung, or used in connection with, any window or door of the Leased Premises, without the prior written consent of Landlord. Such curtains, blinds, shades, screens or other fixtures must be of a quality, type, design and colour, and attached in the manner approved by Landlord.

4. No sign, advertisement, notice or other lettering shall be exhibited, inscribed, painted or affixed by any tenant on any window or part of the outside or inside of the Leased Premises or the Building without the prior written consent of Landlord. In the event of the violation of the foregoing by any tenant, Landlord may remove same without any liability, and may charge the expense incurred by such removal to such tenant. Interior signs on doors shall be inscribed, painted, or affixed for tenants by Landlord or by sign painters, first approved by the Landlord, at the expense of tenants and shall be of a size, colour, and style acceptable to Landlord.

5. The windows and doors, and, if any, the sashes, sash doors, and skylights, that reflect or admit light and air into the halls, passageways, or other public places in the Building shall not be covered or obstructed by tenants, nor shall any bottles, parcels, files, papers or other articles be placed on the windowsills.

6. No showcases or other articles shall be put in front of or affixed to any part of the exterior of the Building, nor placed in the halls, corridors, or vestibules without the prior written consent of Landlord.

7. The toilet, urinals, sinks and other water apparatus shall not be used for any purposes other than those for which they were constructed, and no sweepings, rubbish, rags, ashes or other substances shall be thrown therein. Any damage resulting by misuse shall be borne by the tenants by whom or by whose agents, servants, employees, customers or invitees the same was caused. Tenants shall not let the water run unless it is in actual use, and shall not deface or damage any part of the Building, nor drive nails, spikes, hooks, or screws into the walls or woodwork of the Building.

8. Tenants shall not mark, paint, drill into, or in any way deface any part of the Leased Premises or the Building. No boring, cutting or stringing of wires shall be permitted except with the prior written consent of Landlord and as Landlord may direct. Only contractors approved in writing by Landlord may be employed by tenants for making repairs, changes or any improvements to the Leased Premises. Tenants shall not (without Landlord's prior consent) lay floor coverings other than unaffixed rugs, so that the same shall come in direct contact with the floor of the Leased Premises, and, if wall to wall carpeting, linoleum or other similar floor coverings other than the Building Standard carpet are desired to be used and such use is approved by the Landlord, and if such floor coverings are placed or to be placed over tile flooring then an interlining of builder's deadening felt shall be first affixed to the floor, by a paste or other material soluble in water, the use of cement or similar adhesive materials being expressly prohibited. Metal cabinets shall be set on a non-corrosive pad wherever the floors are tile. In those portions of the Leased Premises where the Landlord has provided carpeting, whether directly or indirectly, the Tenant shall install at its own expense protective padding under all furniture not equipped with carpet casters.

9. No bicycles, vehicles or animals or birds of any kind shall be brought into or kept in or about the Building or the Leased Premises excepting that those vehicles so authorized by the Landlord may enter and be kept in the Buildings' parking facilities (if any).

10. No space in the Building shall be used for lodging, sleeping, or any immoral or illegal purposes. No space shall be used for the storage of merchandise or for the sale of merchandise, goods, or property, and no auction sales shall be made, by tenants without prior written consent of Landlord.

11. Tenants shall not make, or permit to be made, any unseemly or disturbing noises or disturb or interfere with occupants of this or neighbouring buildings or premises or those having business with them whether by the use of any musical instrument, radio, television, talking machine, unmusical noise, whistling, singing or in any other way. Tenants shall not throw anything out of the doors, windows, or skylights, of any, or down the passageways, stairs or elevator shafts nor sweep anything into the corridors, hallways or stairs of the Building.

12. No additional locks or bolts of any kind shall be placed upon any of the doors or windows by tenants, nor shall any changes whatsoever be made to existing locks or the mechanics thereof except by the Landlord, at its option. Tenants shall not permit any duplicate keys to be made, but additional keys as reasonably required shall be supplied by the Landlord when requested by the tenant in writing and such keys shall be paid for by the tenant, and upon termination of tenant's Lease, the tenant shall surrender to the Landlord all keys of the Leased Premises and other part or parts of the Building.

13. The tenants and their agents, servants, contractors, invitees or employees, shall not bring in or take out, position, construct, install or move any safe, business machine or other heavy office equipment without first obtaining the consent in writing of the Landlord. In giving such consent, the Landlord shall have the right in its sole discretion, to prescribe the weight permitted and the position thereof, and the use and design of planks, skids or platforms to distribute the weight thereof. All damage done to the Building by moving or using any such heavy equipment or other office equipment or furniture shall be repaired at the expense of the tenant. The moving of all heavy equipment or other office equipment or furniture shall occur only outside of Normal Business Hours or at any other time consented to by the Landlord and the persons employed to move the same in and out of the Building and must be acceptable to the Landlord. Safes and other heavy office equipment will be moved through the halls and corridors only upon steel bearing plates. No freight or bulky matter of any description will be received into the Building or carried in the elevators, except during hours approved by the Landlord.

14. Tenants shall not occupy or permit any portion of the Leased Premises to be occupied as an office for a public stenographer or typist, or, for the possession, storage, manufacture, or sale of narcotics or drugs, or, except as incidental to tenant's main business, as an employment bureau.

15. Tenants shall not use the name of the Building or the owner in any advertising without the express consent in writing of the Landlord. Landlord shall have the right to prohibit any advertising by any tenant which, in any way, tends to impair the reputation of the Building or its desirability as a building for offices, and upon written notice from Landlord, tenants shall refrain from or discontinue such advertising.

16. All entrance doors in the demised premises shall be left locked and all windows shall be left closed by tenants when the Leased Premises are not in use.

17. Except for the negligence of the Landlord or persons for whom in law it is responsible, Landlord shall be in no way responsible to any tenant for loss of property from the Leased Premises, however occurring, or for damage done to the furniture or other effects of any tenant by Landlord's agents, janitors, cleaners, employees, or contractors doing work in the Leased Premises. The tenants shall permit window cleaners to clean the windows of the Leased Premises during Normal Business Hours.

18. The requirements of tenants will be attended to only upon application to the Building manager or such other authorized representative as the Landlord may designate in writing. Landlord's employees shall not perform any work or do anything outside of their regular duties, unless under specific instructions from the office of the Landlord, from the Building manager or other representative as aforesaid.

19. Canvassing, soliciting, and peddling in the Building are prohibited, and tenants shall cooperate to prevent the same.

20. Any hand trucks, carryalls, or similar appliances used in the Building shall be equipped with rubber tires, side guards and such other safeguards as Landlord shall require.

21. Without first obtaining Landlord's written permission, tenants shall not install, attach, or bring into the Leased Premises any equipment (other than normal office equipment such as electric typewriters, computers, printers, calculators, and the like) or any instrument, duct, refrigerator, air conditioner, water cooler, or any other appliance requiring the use of gas, electric current or water. Any breach of this rule will entitle the Landlord at the tenant's expense to enter the Leased Premises and remove whatever the tenant may have so installed, attached, or brought in.

22. Landlord reserves the right to exclude from the Building outside of Normal Business Hours and during all hours on Saturdays all persons not authorized by a tenant in writing, by pass, or otherwise, to have access to the Building and the Leased Premises. Each tenant shall be responsible for all persons authorized to have access to the Building and shall be liable to Landlord for all of their acts while in the Building. When security service is in effect, entrance to the Building, deliveries, and exits shall be made via designated entrances and the Landlord may require all persons to sign a register on entering and leaving the Building

23. Tenant shall at all times keep all drapes, blinds or curtains adjusted to block the direct rays of the sun in order to avoid overloading the air conditioning systems.

24. Neither tenants nor their servants, employees, agents, visitors, or licensees shall at any time bring or keep upon the Leased Premises any inflammable, combustible or explosive fluid, chemical or substance, nor do nor permit to be done anything in conflict with any insurance policy which may or might be in force upon the Building or any part thereof or with the laws relating to fires, or with the regulations of the Fire Department or the Health Department, or with any of the rules, regulations or ordinances of the City in which the Leased Premises are located, or of any other duly constituted authority.

25. Subject to section 4.3 hereof, Tenants shall not, without first obtaining Landlord's prior written approval, do any cooking, conduct any restaurant, luncheonette, or cafeteria for the sale or service of food or beverages to its employees or to others, or cause or permit any odours of cooking or other processes or any unusual or objectionable odours to emanate from the Leased Premises. Tenants shall not, without first obtaining Landlord's written approval, install or permit the installation or use of any food, beverage, cigarette, cigar, or stamp dispensing machine; or permit the delivery of any food or beverage to the Leased Premises, except by such persons delivering the same as shall be approved by the Landlord. No food or beverage shall be carried in the public halls or elevators except in closed containers.

26. Lists of automobile license numbers of people working in the Building and the names of people who normally work off-hours may be required by the Landlord, who may also require tenants' employees to display a card or sticker as a prerequisite to admission to the parking facility (if any).

27. The Landlord reserves the right to promulgate, rescind, alter or waive any rules or regulations at any time prescribed for the Building when it is necessary, desirable or proper for its best interest and in the opinion of the Landlord, for the best interests of the tenants.

28. The Landlord may publish from time to time emergency fire regulations and evacuation procedures in consultation with the applicable municipal authorities. Each tenant will appoint a premises warden (wardens for multi-floor users) who will be responsible for liaison with building management in all emergency matters and who will be responsible for instructing employees of the tenant in emergency matters.

29. The tenants shall promptly notify the Landlord of all requests by any taxing authority for information relating to the Leased Premises (including fixtures, improvements, or machinery and equipment therein) or the tenant's occupation or use thereof and any such information to be given by the tenant to such taxing authority shall be forwarded by the tenant to the Landlord for delivery of such taxing authority.

30. If any apparatus used or installed by a tenant requires a permit as a condition for its installation, the tenant must file a copy of such permit with the Landlord.

31. Tenants shall be responsible for the cleaning of any drapes and/or curtains that may be installed in their Leased Premises, including those installed by the Landlord.

LEASE

BETWEEN

SUN LIFE ASSURANCE COMPANY OF CANADA

LANDLORD

AND

NOVATEL WIRELESS TECHNOLOGIES, LTD.

TENANT

Lease #387170

LEASE

SUN LIFE ASSURANCE COMPANY OF CANADA

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EXHIBIT 10.10

SUPPLY AGREEMENT

This Supply Agreement ("Agreement") is being entered into and is effective as of March 31, 2000 (the "Effective Date"), by and between NOVATEL WIRELESS, INC., a Delaware corporation ("Novatel Wireless" or "Seller"), having its principal place of business at 9360 Towne Centre Drive, San Diego, California 92121 and Hewlett-Packard Company, a Delaware corporation ("Hewlett-Packard" or "Buyer"), having its principal place of business at 3000 Hanover Street, Palo Alto, California 94304.

WHEREAS, Seller is engaged in, among other things, the development and manufacture of wireless modem cradles ("Modems");

WHEREAS, Buyer desires to purchase certain quantities of Modems from Seller, and Seller is willing to supply such quantities of Modems to Buyer, subject to the terms and conditions of this Agreement;

NOW, THEREFORE, in consideration of the premises and the mutual promises and covenants set forth below, the parties agree as follows:

1. SALE AND PURCHASE OF PRODUCTS.

1.1 Sale and Purchase. Buyer shall purchase from Seller, and Seller shall supply to Buyer *** Modems in accord with the specifications set forth in Annex B (the "Product Specifications").

1.2 Price and Payments.

1.2.1 Buyer shall make payments due to Seller for Modems either directly to Seller or to such bank as Seller may designate in writing. Order payment terms are Net 30 Days.

1.2.2 Buyer shall pay in accordance with the terms set forth in Annex D ("Purchase Price and Volume Commitments") per unit for each Modem.

1.3 Modems. The price per unit as set forth above includes the finished product modem, installation and configuration software on CD ROM, AC adapter, display packaging and user documentation.

1.4 Shipment and Forecast. Buyer shall order and Seller shall deliver to Buyer the Modems set forth in Section 1.1 in accord with the delivery schedule attached set forth in Annex C ("Forecast and Delivery Schedules").

1.5 Delivery. Seller shall deliver the Modems sold to Buyer in accord with the delivery schedule set forth in Annex C. The Modems shall be shipped f.o.b. shipping point from the Seller's manufacturing site.

1.6 Warranties. Acceptance of a Modem shall not relieve Seller from its obligations thereunder with respect to warranties under Section 6 below.

* Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

1.7 Title; Risk of Loss. Title to and risk of loss in Modems covered by this Agreement shall pass to Buyer at such time Seller ships the Modems.

1.8 Taxes. The prices of all Modems hereunder include all taxes, duties and excise which are directly imposed on the Modems. Notwithstanding the foregoing, Buyer shall bear the responsibility for any taxes or duties imposed on Modems in any other country or state of destination, including without limitation, taxes imposed on the sale by Buyer of a product that includes Seller products.

1.9 Preferred Supplier Status. For the term of this Agreement, Seller shall have the right of first refusal as a supplier with respect to any wireless data modem project initiated by the Hewlett-Packard Wireless and Internet Services Division.

2. TRADEMARKS.

2.1 Seller's Trademarks.

2.1.1 Buyer shall not use the trademark "Novatel" or "Novatel Wireless" or any other trademark owned by Seller or any mark confusingly similar thereto without the prior written consent of Seller in each instance. Notwithstanding the foregoing, Buyer shall be entitled to use the trademark "Novatel" or "Novatel Wireless" or any other trademark owned by Seller in association with the Modems, but such use shall be in strict accord with the latest (most recent) version of Seller's Trademark Style Guide as provided by Seller to Buyer.

2.1.2 Buyer shall not use the Seller's trademark or any other trademark owned by Seller or any mark confusingly similar thereto without the prior written consent of Seller in each instance.

2.1.3 Buyer acknowledges Seller's sole ownership and exclusive right, title and interest in and to the use of each of its trademarks, and that any use of any of the trademarks of Seller will inure solely to the benefit of Seller. Buyer shall not acquire any right to or under any of Seller's trademarks. Nothing contained herein shall in any way limit Seller's rights under its patents or licensing agreements or grant Buyer any rights under such patents or licensing agreements.

2.1.4 License to the Documentation. Solely for purposes as required in accordance with this Agreement, Seller hereby grants to Buyer, under Seller"s intellectual property rights, a non-exclusive, worldwide license to use, reproduce and display the appropriate Documentation for the Modems.

2.2 Buyer's Trademarks.

2.2.1 Trademarks. Neither party is granted any ownership in or license to the trademarks, marks or trade names (collectively, "Marks") of the other party. Seller's use of Buyer's Marks shall be in accordance with the latest (most recent) Buyer's Trademark guidelines as provided by Buyer to Seller.

2.2.2 Seller shall not use the Buyer's trademark or any other trademark owned by Buyer or any mark confusingly similar thereto without the prior written consent of Buyer in each instance.

2.2.3 Seller acknowledges Buyer's sole ownership and exclusive right, title and interest in and to the use of each of its trademarks, and that any use of any of the trademarks of Buyer will inure solely to the benefit of Buyer. Seller shall not acquire any right to or under any of Buyer's trademarks. Nothing contained herein shall in any way limit Buyer's rights under its patents or licensing agreements or grant Seller any rights under such patents or licensing agreements.

2.3 Co-Branding. Buyer and Seller agree that the Modems manufactured and sold under this Agreement shall be co-branded with the trademarks of both Buyer and Seller. Buyer and Seller agree to reasonably cooperate with one another in developing an appropriate co-branding strategy.

3. KNOW-HOW AND SUPPORT.

Seller shall provide Level II and Level III Technical Support (as set forth in Annex A ("Technical Support")), and training to Buyer's designated service technicians to enable Buyer to provide Level I Support and engineering support at Buyer's facilities to enable Buyer to support the Modems, including the details of modem functionality and design required for detection and correction of bugs or failures. The parties hereto acknowledge and agree that Seller shall not provide direct end-user support to any end-user on its own behalf or on behalf of Buyer (Level I Technical Support). Seller will provide technical support during the term of this Agreement in accordance with the terms of this Agreement, except that Seller shall not be obligated to provide support for any change in Seller's specifications of the Modems as set forth in Annex B (the "Product Specifications") requested by the Buyer to the extent that this change proposed by Buyer is not incorporated into the standard Modems sold by Seller.

4. REPRESENTATION, WARRANTY and indemnification.

4.1 Seller represents and warrants that no additional Federal Trade Commission certification or CDPD carrier certification or other governmental certification is required for the Modems. If either certification becomes necessary for the sale of the Modems, Seller shall immediately stop delivery of the Modems. Seller shall make the necessary changes to certify the Modems and all previously delivered Modems shall be retrofitted to meet the certified configuration.

4.2 Seller also represents and warrants that it is entitled to enter into this Supply Agreement and that Seller's performance according to the terms of this Supply Agreement shall not violate any other agreement to which Seller is a party. Seller shall, at its sole cost and expense, indemnify, defend and hold Buyer harmless from and against any claims, demands, liability or suit, including costs and expenses, for or by reason of any actual or alleged breach of this warranty in this Section 4.2.

4.3 General Indemnity. Seller agrees to indemnify and hold Buyer harmless of and from any and all loss, cost, claim, liability, suit, judgment or expense, including reasonable attorneys' fees, arising out of any breach of the above described warranties.

4.4 No Infringement. Seller warrants that the computer software provided by Seller with the Modems to Buyer (the "Program"), and accompanying Documentation, referred to in this Agreement do not violate or infringe any patent, copyright, trademark, trade secret or other proprietary right of any third party and that Seller is not aware of any facts upon which such a claim for infringement could be based.

4.5 Infringement Indemnity.

(a) Seller will defend any claim, suit, or proceeding brought against Buyer or its customers insofar as it is based on a claim that the Program or Documentation, or any part thereof, furnished by Seller under this Agreement constitutes an infringement of any third party's patent, copyright, trademark, trade name, other proprietary right, or unauthorized trade secret use; provided that Seller is notified promptly in writing of such claim, and given authority, information and assistance (at Seller's expense) to handle the claim or the defense of any suit or proceeding. Seller agrees to pay damages and costs awarded therein against Buyer and its customers but only to the extent such damages and costs are directly attributable to infringement caused by the Program or Documentation which is provided by Buyer to Seller. Notwithstanding the foregoing, Seller's total liability under this Section shall not exceed the total amounts actually paid by Buyer to Seller under this Supply Agreement.

(b) In case any Program or Documentation or any part thereof in such suit is held to constitute an infringement and its use is enjoined, Seller shall, at its own expense and at its option (i) procure for Buyer and its customers the right to continue use, or (ii) if applicable, replace the same with a noninfringing program and documentation of substantially equivalent function and performance, or (iii) modify them so they become noninfringing without detracting substantially from function or performance.

(c) Notwithstanding the foregoing, Seller shall have no responsibility for claims arising from (i) unauthorized modifications of the Program made by Buyer or its customers if such claim would not have arisen but for such modifications, or (ii) unauthorized combination or use of the Program with products not contemplated herein if such claim would not have arisen but for such combination or use.

5. TERM; TERMINATION; RIGHTS AND OBLIGATIONS UPON TERMINATION.

5.1 Except as otherwise provided for herein, the term of this Agreement shall be for the period set forth on Annex D, unless terminated earlier by either party pursuant to the provisions of this Section 5 or extended by mutual written agreement of the parties.

5.2 Notwithstanding the foregoing, the following provisions shall continue in effect after termination of this Agreement in accordance with their terms:

(a) All payment provisions to the extent unpaid at the time of termination shall be paid in accordance with the terms of this Agreement.

(b) All warranties specified in the Agreement.

(c) Sections 2.1 and 2.2 (Trademarks).

(d) Section 5.6 (Commitment Termination Event).

(e) Sections 9.1 and 9.2 (Confidentiality and Advertising).

(f) Section 9.3 (Confidential Information).

(g) Section 9.8 (Applicable Law).

5.3 Buyer's Right to Terminate. Buyer shall have the right, by providing Seller with thirty (30) days' prior written notice, to terminate this Agreement upon the occurrence of any of the following events, any one of which shall be considered a "Seller Default":

(a) Seller discontinues the Modems;

(b) Seller is adjudged bankrupt;

(c) Seller files a voluntary petition in bankruptcy or liquidation or for the appointment of a receiver;

(d) Filing of an involuntary petition to have Seller declared bankrupt, or subject to receivership, provided that such petition is not vacated or set aside within ninety (90) days from the date of filing;

(e) The execution by Seller of any assignment for the benefit of creditors; or

(f) Seller breaches any material provision of this Agreement and fails to cure such material breach within thirty (30) days from receipt of written notice describing the breach.

(g) Seller, after receiving written notice from Buyer, fails to make product deliveries as provided in this Agreement, unless such failure is cured within thirty (30) days of Seller receiving such written notice from Buyer.

5.4 Seller's Right to Terminate. Seller shall have the right, by providing Buyer with thirty (30) days' prior written notice, to terminate this Agreement upon the occurrence of any of the following events, any one of which shall be considered a "Buyer Default":

(a) Buyer fails to make payments as provided in this Agreement, unless such failure is cured within thirty (30) days from receipt of written demand for such payment. Any late payments shall bear interest at the annual rate of ***;

(b) Buyer is adjudged bankrupt;

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(c) Buyer files a voluntary petition in bankruptcy or liquidation or for the appointment of a receiver;

(d) Filing of an involuntary petition to have Buyer declared bankrupt, or subject to receivership, provided that such petition is not vacated or set aside within ninety (90) days from the date of filing;

(e) The execution by Buyer of any assignment for the benefit of creditors; or

(f) Buyer breaches any material provision of this Agreement and fails to cure such material breach within thirty (30) days from receipt of written notice describing the breach.

5.5 Remedy Upon Default. In the event that this Agreement is terminated pursuant to Section 5.3 or 5.4 above, both parties shall have the right to exercise any and all rights surviving such termination pursuant to Section 5.2.

5.6 Commitment Termination Event. In the event of a Commitment Termination Event, Buyer shall, as soon as practicable and in no event later than five (5) days after the occurrence of such Commitment Termination Event, pay Seller, ***. Seller agrees to use commercially reasonable efforts to dispose of or otherwise use excess finished product in an effort to reduce any residual amount owed to Seller. "Commitment Termination Event" means (i) the failure by Buyer to purchase Modems in the amounts set forth in Section 1.1 ("Sale and Purchase") hereof pursuant to the schedule of payment and delivery set forth in the Delivery Schedule (Annex C); (ii) termination of this Agreement by Buyer for any reason whatsoever other than pursuant to an uncured material breach by Seller; (iii) any uncured material breach by Buyer of any representation, covenant or agreement on the part of Buyer set forth in this Agreement, and subsequent termination of this Agreement by Seller for such breach. ***

6. PRODUCT WARRANTY.

6.1 Product Warranty. The following Sections 6.l through 6.6 refer only to Product Warranty.

(a) Seller warrants that all Modems, including components thereof, to be delivered hereunder, will conform substantially to the Product Specifications and be free from defects in material and workmanship. The foregoing warranty is given provided Buyer gives written notice of any defect, deficiency or non-conformance of any Modem, or parts thereof, within: (i) *** from the purchase date by the end-user/consumer (the "Warranty Period"). Seller shall, at no cost to Buyer, and within the "Turn-Around Time" as defined in Section 6.2(a) below, repair or furnish replacements for all such defective, deficient or non-conforming items or parts thereof; provided, however, the Modems have been maintained in accordance with Seller's specifications and have not been modified by any party other than Seller except as expressly permitted by Seller in writing.

(b) The foregoing warranties do not extend to:

(i) defects, errors or nonconformities in a Modem due to accident, abuse, misuse or negligent use of such Modem or use in other than a normal and customary

* Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

manner, environmental conditions not conforming to Seller's specifications, or failure to follow prescribed operating maintenance procedures;

(ii) defects, errors or nonconformities in the Modem due to modifications, alterations, additions or changes in the Modem not made or authorized to be made by Seller in writing;

(iii) normal wear and tear; or

(iv) damage caused by force of nature or act of any third party.

6.2 Turn-Around Time.

(a) "Turn-Around Time" for the purposes of this Section 6 means *** from the date on which such defective item, or defective or non-conforming part thereof, is furnished to Seller, for repair or replacement until the date on which such replaced or repaired item is returned to Buyer.

(b) Seller shall bear air shipment costs of the deficient, repaired or replaced item as well as the risk or loss or damage to the item or its replacement throughout the period between the shipment of the defective item and the receipt of the repaired or replaced item. Repaired or replaced items shall be subject to the warranty provided on the original finished product only (the time during which Seller repairs or replaces the item shall not be considered as part of the Warranty Period), in accordance with this Section 6. Notwithstanding the foregoing, Buyer shall bear all expenses if no fault on the part of Seller was found in the items returned for repair or replacement.

6.3 Inspection; Acceptance. This warranty shall survive inspection, acceptance or payments by Buyer and is provided for the sole and exclusive benefit of Buyer and shall not extend to any third party, including without limitation, any reseller or end-user.

6.4 Exclusive Remedy. The warranty granted in this Section 6 sets forth Buyer's sole and exclusive remedy and Seller's sole and exclusive liability for any claim of warranty for any product delivered by Seller.

6.5 No Authority. Buyer acknowledges that it is not authorized to make any warranty or representation on behalf of Seller or its suppliers regarding the Modems, whether express or implied, other than the warranty terms set forth in this Section 6.

6.6 Year 2000 Compliance. Novatel Wireless hereby warrants that the Software included as part of the overall product is Year 2000 Compliant; "Year 2000 Compliant" shall be defined as having the capability to (i) correctly process date field dependent logic to accurately process and utilize any date prior to and any date after December 31, 1999; and (ii) store and represent dates in a manner which enables the user to easily identify or use the century portion of any date fields without any special processing.

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6.7 No Other Warranty. THE WARRANTY MADE UNDER THIS SECTION 6 IS EXPRESSLY IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, ALL IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

7. LIMITATION OF LIABILITY.

SELLER SHALL NOT BE LIABLE FOR ANY SPECIAL, INCIDENTAL, CONSEQUENTIAL, INDIRECT OR PUNITIVE DAMAGES (INCLUDING LOST REVENUES OR PROFITS) OF ANY KIND DUE TO ANY CAUSE, REGARDLESS OF WHETHER SELLER HAS BEEN ADVISED OR IS AWARE OF THE POSSIBILITY OF SUCH DAMAGES.

8. FORCE MAJEURE.

8.1 Events of Force Majeure. Neither party shall be liable for a default or delay in the performance under this Agreement if and to the extent such default or delay is caused, directly or indirectly, by (i) fire, flood, natural disturbances or other acts of God; (ii) any outbreak or escalation of hostilities, war, civil commotion, riot or insurrection; (iii) any act or omission of the other party or any governmental authority or (iv) any other similar causes beyond the control of such party that arise without the fault or negligence of such party. Any delay resulting from such events shall be referred to herein as a "Force Majeure," shall not constitute a default by such party under this Agreement and shall entitle the delayed party to a corresponding extension of its delayed obligation. The party whose performance will be delayed by such events will use its best efforts to notify the other party within three (3) days after delayed party becomes aware of such event, as well as the cessation thereof.

8.2 Subcontractor's Default. Any delays in performance by Seller's subcontractors or suppliers shall be deemed excusable delays with respect to Seller only if (i) such subcontractor's non-performance is caused by Force Majeure and (ii) Seller could not have obtained the supplies or services of such subcontractor from other sources in sufficient time and on customary terms to prevent interruption of Seller's performance of this Agreement.

8.3 Termination.

(a) If Force Majeure results in a delay to make any scheduled delivery under this Agreement by more than sixty (60) days, Buyer may terminate this Agreement in whole or in part and such termination shall not be deemed a breach of this Agreement.

(b) If Buyer does not terminate within such sixty (60) day period, and the Force Majeure prevails for further forty-five (45) days, Buyer may terminate this Agreement, but it shall have no right to claim damages from Seller for breach of the Agreement. The foregoing expresses Buyer's sole remedy and Seller's sole liability for such termination resulting from Force Majeure.

9. MISCELLANEOUS.

9.1 Confidentiality of Agreement; Permitted Disclosures. Throughout the term of this Agreement, each party agrees that the terms of this Agreement shall be kept confidential. No disclosure of the identity of Buyer's customers or end-users or other information concerning this Agreement shall be released by Seller without the prior written consent of Buyer except in Seller's or Buyer's communication with its respective shareholders, investors or potential investors.

9.2 Required Disclosures; Advertising. Notwithstanding Section 9.1 above:

(a) Each party may divulge information hereunder as is reasonably required for the performance of the Agreement or as is required by law; and

(b) Each party shall have the right to list the other party as a customer or supplier (as the case may be) in its advertising material.

9.3 Confidential Information.

(a) In performance of this Agreement, it may be necessary or desirable for either party to disclose to the other certain business and/or technical information which the disclosing party regards as proprietary and confidential (the "Confidential Information"). Any Confidential Information disclosed shall be reduced to writing and provided to the other party within twenty (20) days after it was first disclosed. The disclosing party shall make commercially reasonable efforts to mark all tangible embodiments of Confidential Information with an appropriate confidentiality legend. Each of the parties hereto agree that it shall (i) not make use of or disclose the Confidential Information for any purpose whatsoever at any time, other than for the purposes of this Agreement and (ii) limit access to the Confidential Information of the other party to its employees and contractors who shall be advised of and agree to be subject to the terms of this Section 9.3.

(b) Nothing herein shall be construed as granting to either party, by implication, estoppel or otherwise, any right, title or interest in, or any license under, any patent or Confidential Information.

(c) Items shall not be considered Confidential Information if such information was (i) available to the public other than by a breach of an agreement with the disclosing party; (ii) rightfully received from a third party not in breach of any obligation of confidentiality; (iii) independently developed by one party without access to the Confidential Information of the other; (iv) known to the recipient at the time of disclosure; or (v) produced in compliance with applicable law or a court order, provided that other party is given reasonable notice of such law or order and an opportunity to attempt to preclude or limit such production.

9.4 Severability. If any provision of this Agreement shall be held illegal or unenforceable, that provision shall be limited or eliminated to the minimum extent necessary so that this Agreement shall otherwise remain in full force and effect and enforceable.

9.5 Assignment. Neither Seller nor Buyer may assign this Agreement in whole or in part, or any rights hereunder without the prior written consent of the other, except to (i) a wholly-owned subsidiary of such party, (ii) a successor in interest of all or substantially all of such party's assets or business or (iii) a bank trust company or other financial institution for money due or to become due under this Agreement. In the event of any assignment, the assigning party shall promptly supply the other party with two (2) copies of such assignment and, in the instance of an assignment pursuant to this Section 9.5, shall indicate on each invoice to whom payment is to be made. In the event of any assignment pursuant to this Section 9.5, the assigning party also shall provide a written guarantee by such party of the obligations assigned to such party's subsidiary.

9.6 Relations of the Parties. Nothing in this Agreement shall be construed as creating relationship of principal and agent or of employer and employee between the parties. Furthermore, nothing in this Agreement is intended to constitute, create, give effect to or otherwise contemplate a joint venture, partnership or formal business entity of any kind. The rights and obligations of the parties with respect to this Agreement shall not be construed as providing for sharing of profits or losses arising out of the effort of either of the parties. The parties shall not incur any liability on behalf of the other.

9.7 Waiver. No waiver by either Seller or Buyer of any breach of this Agreement shall be held to be a waiver of any other subsequent breach. No waiver or time extension given by either Seller or Buyer shall have effect unless made expressly and in writing.

9.8 Applicable Law. This Agreement and all matters regarding the interpretation and/or enforcement hereof shall be governed exclusively by the law of the State of California without reference to its choice of law rules.

9.9 Entire Agreement. This Agreement constitutes the entire agreement between the parties, supersedes and cancels any previous understandings or agreements between all the parties relating to the provisions hereof, and expresses the complete and final understanding of the parties in respect thereto. This Agreement may not be changed, modified, amended or supplemented except by a written instrument signed by the parties.

9.10 Notices. Any notice contemplated by or made pursuant to this Agreement shall be in writing and shall be deemed delivered on the date of delivery if delivered personally or by commercial overnight courier with tracking capabilities or by fax, or five (5) days after mailing if placed in the mail, postage prepaid, registered or certified mail, return receipt requested, addressed to Buyer or Seller (as the case may be) as follows:

Seller: Novatel Wireless, Inc.
9360 Towne Centre Drive
Suite 110
San Diego, CA 92121
Attn: Bruce Gray, Vice President of Sales and Marketing

Buyer: Hewlett-Packard Company
3000 Hanover Street
Palo Alto, CA 94304
Attn: General Counsel

or such other address as each party may designate for itself by notice given in accordance with this Section 9.10.

9.11 Headings. The headings in this Agreement are for convenience only and shall not be regarded in the interpretation hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement to be effective as of the Effective Date written above.

SELLER: NOVATEL WIRELESS, INC.

By: _____
Name: Bruce Gray
Title: Vice President of Sales and Marketing

BUYER: HEWLETT-PACKARD COMPANY

By: _____
Name:
Title:

ANNEX A; TECHNICAL SUPPORT

Technical Support for the H.P. Jornada 540 series modem cradle Product delivered to Hewlett Packard customers will be managed via a three-tier Technical Support infrastructure and process as follows:

LEVEL ONE TECHNICAL SUPPORT

Level one Technical Support will be provided by Hewlett Packard to their direct and indirect customers. Level one support is defined as calls* originating from Hewlett Packard customers, resellers or distributors regarding H.P. Jornada 540 series modem cradle products including but not limited to pre and post sale inquiries concerning the basic operation of the hardware and software, functionality, interoperability and capabilities of those products and services.

For calls regarding the H.P. Jornada 540 series modem cradle products, Hewlett Packard will make every attempt to answer customer questions and resolve issues using available tools, documentation, test equipment and other materials used to support the H.P. Jornada 540 series modem cradle products (see training section below). If the customer question/issue regarding the H.P. Jornada 540 series modem cradle product cannot be resolved by Hewlett Packard support personnel to the customers' satisfaction, the issue will be forwarded to Seller level two Technical Support for further investigation and resolution.

*Calls include phone calls, e-mail, web-based inquiries, faxes and letters.

LEVEL TWO TECHNICAL SUPPORT

Level two Technical Support will be provided by Seller support staff directly to Hewlett Packard level one support personnel to assist in the resolution of open customer issues that have not been resolved to Hewlett Packard customers satisfaction during a level one support call. Hewlett Packard will have direct access to designated support staff within the Seller support organization for this purpose. A direct line of communication between the two organizations will be established and Seller support technicians will be available during normal Hewlett Packard Technical Support operation hours to assist in resolution of customer problems. Seller support engineering will work directly with Hewlett Packard support staff to resolve issues and answer questions, this may require Hewlett Packard support staff to gather additional information and provide system information or test results back to Seller

support staff to aid in the definition and resolution of the problem It will be Hewlett Packard support staff's responsibility to communicate directly with the end-user customer. Problems that are not resolved WITHIN 72 HOURS or problems that are flagged as sensitive/mission critical will be escalated to level three Technical Support for final resolution.

LEVEL THREE TECHNICAL SUPPORT (ESCALATION)

Level three Technical Support will be provided by Seller support and system engineering staff to resolve issues that cannot be satisfactorily resolved by level one and level two support personnel. Level three support will handle all Hewlett Packard product escalations issues including unresolved support calls and will work directly with Seller engineering staff to resolve those issues.

TECHNICAL SUPPORT TRAINING

Technical Support training and documentation for the H.P. Jornada 540 series modem cradle will be provided to Hewlett Packard level one support staff by Seller. Hewlett Packard support staff will receive training on the general use, functionality, operation and compatibility of the Seller H.P. Jornada 540 series modem cradle products. In addition all support related documentation, training materials, notes, FAQ's, and web based support materials will be made available to Hewlett Packard for their use in supporting these products.

ANNEX B; PRODUCT SPECIFICATIONS

HARDWARE AND SOFTWARE DESCRIPTIONS

TOPCAT POCKET PC MODEM CRADLE PRODUCT DESCRIPTION

This product is a "cradle" or "sled" module that will fit the form factor of the TopCat Pocket PC providing wireless connectivity. The modem will connect via a serial port interface and will have a form factor that fits a small area on the back of the Pocket PC device. A rechargeable Lithium Ion battery will power the modem and provide battery life of between 6 - 8 hours of average use. This battery will be charged with an external AC adapter.

PRODUCT FEATURES DESCRIPTION

- - GSM/GPRS version: Dual band (900/1800Mhz)GSM data transmission at 9600bps (optional 900/1900Mhz available)

- - GSM/GPRS version: GPRS support with high speed data transmission

- - CDPD version: Compliant with the CDPD Part 409 specifications.

- - GSM/GPRS versions: Short messaging (SMS) send and receive

- - GSM/GPRS versions: Automatic message polling

- - GSM/GPRS versions: Buzzer and/or vibrating alarm functionality

- - Stand-alone charging mechanism for Cradle

- - LED Status indication

- - Minimal battery requirement: 90h stand-by time or 1.5 hours online time.

- - GSM/GPRS versions: PIN Protection

- - Power switched by the Pocket PC

- - Software Tools

- - Pre-packaged Applications for Email and Web-browsing

- - Desktop/Laptop synchronization software

FEATURE SET DETAILS

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*Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

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HARDWARE SPECIFICATIONS

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HARDWARE SPECIFICATION DETAILS

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3. INDUSTRIAL DESIGN

***

Overview:

This is a Type II PC Card based on GSM GPRS specifications and designed to work with a Windows laptop or handheld PC. It is wireless modem based on digital packet technology and allows high-speed data communication on a world recognized wireless standard.

Features:

- 900/1900 operation in a North American GSM environment, 900/1800 operation in European and Asian GSM environments.
- has support for circuit switched operation to allow coverage in areas where advanced features of GPRS have not yet been rolled out
- capable of power output at 1 watt.
- size is compatible with Type II PC Card (PCMCIA)
- GPRS technology allows for over the air download of data at 56Kbps nominally in MS10 mode of operation and upload at 28Kbps
- SIM card features and proven security are the same as for standard GSM products with the SIM card itself being supplied by the carrier as a separate item
- Over the Air programming is available for user feature implementation
- This assumes downloading to the laptop or handheld PC from the web site and then downloading to the PC Card.
- Application Software available for setup, configuration, operation and status monitoring of the PC Card
- Designed for Windows 95/98/NT/CE and 2000 computers equipped with a Type II PC Card (PCMCIA) slot

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Specifications:

***

CDPD PC CARD
Product Description

Overview:

This is a Type II PC Card based on the CDPD specifications and designed to work with a Windows laptop or handheld PC. It is wireless modem based on digital packet technology and allows high-speed data communication on a world recognized wireless standard.

Features:

- Operation in all CDPD environments.
- capable of power output at .6 watts
- size is compatible with Type II PC Card (PCMCIA)
- CDPD technology allows for over the air download of data at 19.2Kbps nominally
- Over the Air programming is available for user feature implementation
- Application Software available for setup, configuration, operation and status monitoring of the PC Card

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Specifications:

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ANNEX C; FORECAST AND DELIVERY SCHEDULES

PRODUCT MANUFACTURING AND FORECASTING: Hewlett Packard will need to submit a *** forecast to Novatel Wireless. The forecast for the *** of shipments shall be given *** days in advance of the scheduled production date and will be considered fixed. After the forecast for first *** of shipments is submitted to Novatel Wireless, forecast changes may be made as follows for the remaining months:

***

NOTE: Hewlett Packard can reserve the right to provide forecasting for the consumption of the entire volume commitment (product mix and quantity) by providing a minimum of *** advance notice.

DEVELOPMENT AND DELIVERY SCHEDULE: The schedule below indicates the total development time (time-to-market) for all versions of the cradle starting from the date the agreement is signed to the date when volume quantities are shipped to Hewlett Packard's designated point of distribution. Development of all devices will begin once an agreement between the two parties is signed.

The schedule is detailed as follows (Time listed in months ARO):

	CDPD	GSM/GPRS
***		

FORECAST BEGINNING WITH FIRST MONTH'S AVAILABILITY:

***

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Novatel Wireless, during the term of this Agreement, for all H.P. Jornada series 540 modem cradles that are shipped through Novatel Wireless channels, will bundle collateral marketing and advertising materials and any other related collaterals, electronic or otherwise which are supplied by Hewlett-Packard or Hewlett-Packard partners.

For each H.P. Jornada series 540 modem cradle shipped by Novatel Wireless to Hewlett-Packard pursuant to this Agreement, Novatel Wireless will provide Hewlett-Packard on a monthly basis with all EID Numbers for such modem cradles.

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ANNEX D; PRODUCT PRICING AND VOLUME COMMITMENTS

VOLUME COMMITMENT: *** units between H.P. Jornada 540 series modem cradle and PC Card form factors using either CDPD or GSM/GPRS technologies.

TERM: *** beginning from the first revenue GSM/GPRS H.P. Jornada 540 series modem cradle Cradle modem shipment to Hewlett Packard from Novatel Wireless.

DISTRIBUTION: During the term of this Agreement, Novatel Wireless agrees not to sell H.P. Jornada 540 series modem cradles to wireless network providers and aggregators of wireless service. During the term of this Agreement, all carrier service bundles offered for the H.P. Jornada 540 series modem cradles by Novatel Wireless shall be provided by Hewlett-Packard or one of its assigned agents. Hewlett-Packard agrees, during the term of this Agreement, to make the H.P. Jornada 540 series modem cradles available to all wireless carriers on a non-discriminatory basis, pursuant to comparable business terms and pricing.

UNIT PRICING: Unit pricing for the H.P. Jornada 540 series modem cradle cradle is as follows:

Quantity:	***
GSM/GPRS	***
CDPD	***

Unit Pricing for the Type II PCMCIA cards is as follows:

GSM/GPRS	***
CDPD	***

DEVELOPMENT FEE:

Hewlett-Packard agrees to provide a product development fee of *** to Novatel Wireless. One payment of *** shall be made by Hewlett-Packard to Novatel Wireless upon execution of this Agreement and a second payment of *** shall be made one week prior to the first manufacturing run for the products.

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EXHIBIT 10.11

TECHNOLOGY LICENSE, MANUFACTURING AND PURCHASE AGREEMENT

THIS TECHNOLOGY LICENSE, MANUFACTURING AND PURCHASE AGREEMENT, (the "Agreement") is entered Into as of the 13th day of October, 1999, (the "Effective Date") by and between METRICOM, INC., a Delaware corporation, with its principal offices at 980 University Avenue, Los Gatos, California 95030-2375 ("Metricom") and NOVATEL WIRELESS, INC., a Delaware corporation, with its principal offices at 9360 Towne Centre, Suite 110, San Diego, CA 92121 ("Novatel").

WHEREAS, Metricom has developed a Network; and

WHEREAS, the parties desire to enter into an agreement regarding Metricom's Network whereby Novatel will develop Network interoperable and compatible Modem as a product; and

WHEREAS, Novatel wishes to obtain from Metricom a technology license to use Metricom's technology and incorporate the Licensed Technology into a Modem; and

WHEREAS, Metricom is prepared to grant such a license upon the terms and conditions of this Agreement; and

WHEREAS, the parties now desire to enter into an agreement whereby Novatel will manufacture the Modem; and

WHEREAS, Novatel wishes to supply such Modem to the general marketplace, Metricom's Designee(s) or Metricom; and

WHEREAS, Metricom wishes Novatel to supply Modems built to the Specifications to Metricom's Designee(s) or Metricom.

NOW THEREFORE, in consideration of the foregoing and the covenants and premises contained in this Agreement, the parties agree as follows:

PART I: DEFINITIONS

1. DEFINITIONS. As used herein, capitalized terms will have the meanings set forth below.

1.1 "ACCEPTANCE CERTIFICATE" means a document issued by Metricom confirming that a Modem shipment meets all applicable Specifications.

1.2 "CONFIDENTIAL INFORMATION" means any confidential or proprietary information, including without limitation any source code, software tools, designs, schematics, plans or any other information relating to any research project, work in process, future development, scientific, engineering, manufacturing, marketing or business plan or financial or personnel matter relating to either party, its present or future products, sales, customers, employees, investors or business, identified by the disclosing party as Confidential Information, whether in oral, written, graphic or electronic form. If disclosed in oral form, such Confidential

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Information must be reduced to writing and marked as Confidential Information within 30 days following disclosure.

1.3 "DESIGNEE" means a Metricom partner approved, in writing, by Metricom.

1.4 "EFFECTIVE DATE" means the date first mentioned above.

1.5 "FCC" means the Federal Communications Commission.

1.6 "LICENSED TECHNOLOGY" means the Metricom Know-how, Metricom Patents, Metricom Technology, Metricom Improvements and the Specifications.

1.7 "METRICOM KNOW-HOW" means techniques, inventions, practices, methods, knowledge, skill, experience, test data and cost, sales and manufacturing data relating to the manufacture of the Modem which Metricom discloses to Novatel under this Agreement, including without limitation any technology developed by either party on behalf of Metricom.

1.8 "METRICOM PATENTS" means the existing patents and patent applications listed on Exhibit B hereto and such patents obtained and patent applications filed by Metricom relating to the patents listed on Exhibit B, and improvements thereto, including without limitation, all foreign counterparts, all substitutions, extensions, reissues, renewals, divisions, continuations and continuations in part relating to such Metricom Patents and their foreign counterparts.

1.9 "METRICOM SOFTWARE" means certain software developed by Metricom and embedded in the Modem, and such additional or modified software features and functions that Metricom may specify from time to time pursuant to this Agreement.

1.10 "METRICOM SPECIFICATIONS" means the performance, usage and form factor specifications written by Metricom to which the Guaranteed Volume of Modems will conform. Such Metricom Specifications shall be attached as Exhibit D hereto upon completion of development of such Metricom Specifications, which shall not be later than thirty (30) days from the execution of this Agreement.

1.11 "METRICOM TECHNOLOGY" means (a) the inventions, discoveries and processes covered under the Metricom Patents and (b) the Metricom Know-how.

1.12 "MODEM" means a portable 900 MHz-enabled data device interoperable and compatible with Metricom's Ricochet2 data network to be custom developed and manufactured by Novatel.

1.13 "NETWORK" means Metricom's Ricochet network.

1.14 "NETWORK SPECIFICATIONS" means the software, firmware and hardware performance and usage specifications for the Network as written by Metricom with which the Modem must be interoperable and compatible. Such Network Specifications shall be attached as Exhibit C hereto within thirty (30) days from the execution of this Agreement.

1.15 "NOVATEL KNOW-HOW" means techniques, inventions, practices, methods, knowledge, skill, experience, test data and cost, sales and manufacturing data relating to those parts that may be specified for inclusion in the Modem as set forth in Exhibit A.

1.16 "NOVATEL PATENTS" means the existing patents and patent applications listed on Exhibit B hereto and such patents obtained and patent applications filed by Novatel relating to the patents listed on Exhibit A, and improvements thereto, including without limitation, all foreign counterparts, all substitutions, extensions, reissues, renewals, divisions, continuations and continuations in part relating to such Novatel Patents and their foreign counterparts.

1.17 "NOVATEL TECHNOLOGY" means the inventions, discoveries and processes relating to those parts that may be specified for inclusion in the Modem as set forth in Exhibit A.

1.18 "NRE COSTS" means foundry, non-recurring engineering and development costs associated with this Agreement.

1.19 "SPECIFICATIONS" means the Network Specifications and the Metricom Specifications.

1.20 "ROYALTIES" means those royalties payable by Novatel to Metricom pursuant to this Agreement.

1.21 "THIRD PARTY SOFTWARE" means any software that belongs to a third party which is used in the Network and is licensed to Metricom for such use.

PART II: TECHNOLOGY LICENSE, DEVELOPMENT AND MANUFACTURING

2. LICENSE GRANTS.

2.1 METRICOM LICENSE GRANT.

(a) TECHNOLOGY LICENSE. Subject to the terms and conditions of this Agreement, Metricom hereby grants to Novatel during the term of this Agreement a nonexclusive, non-transferable, royalty bearing license, without right to sublicense, under the Licensed Technology, to develop, manufacture, market and sell the Modem for use with the Network.

(b) METRICOM SOFTWARE LICENSE. During the term of this Agreement and subject to the terms and conditions of this Agreement, Metricom grants to Novatel a nonexclusive, non-transferable license, without right to sublicense, to reproduce and embed the Metricom Software in object code form only in the Modem. Except as expressly stated in this Agreement, no rights to prepare derivative works, perform, display or distribute the Metricom Software are granted hereunder.

(c) SOURCE CODE. Should Novatel require it and subject to the terms and conditions of this Agreement, Metricom may disclose to Novatel the source code for the Metricom Software for purposes of enabling Novatel to port the Metricom Software to the

Modem. Any disclosure of source code, and all notes made by Novatel pertaining thereto, shall be treated as Metricom's Confidential Information pursuant to the terms of this Agreement.

(i) Novatel shall not make any changes to the source code other than those changes necessary to run the Metricom Software on hardware platforms other than as originally developed. Novatel shall provide Metricom with an electronic copy (ASCII text) of the updated source code in the event it makes any changes.

(ii) Except as needed to port the Metricom Software as set forth in this Agreement. No copyright rights to reproduce, prepare derivative works, perform, display or distribute the Metricom Software in source code format are granted to Novatel hereunder.

(d) RESTRICTIONS ON USE. Novatel shall not, and shall not permit any person within its control, to use the Licensed Technology and the Metricom Software or any of Metricom's Confidential Information for any other purpose than as expressly set forth in this Agreement.

2.2 NOVATEL LICENSE GRANT. Subject to the terms and conditions of this Agreement, Novatel hereby grants Metricom a non-exclusive, non-transferable, royalty-free, perpetual and irrevocable right, with right of sublicense through multiple tiers of distribution, under the Novatel Patents, the Novatel Technology, the Novatel Know-how and the Novatel Improvements, to offer to sell, sell and use the Modems.

2.3 THIRD PARTY SOFTWARE. Should the Metricom Software contain Third Party Software, Metricom shall, at Novatel's request, assist Novatel in obtaining the rights to use such Third Party Software. The parties acknowledge and agree that it is Novatel's obligation to license such Third Party Software.

3. DEVELOPMENT AND MANUFACTURING.

3.1 DEVELOPMENT. Upon execution of this Agreement, Novatel shall begin development of the Modem in accordance with the Network Specifications and the terms of this Agreement, and for the Guaranteed Volume, also in accordance with the Metricom Specifications. Prior to manufacturing, Novatel shall provide a reasonable quantity of a prototype Modem along with an electronic copy (ASCII text) of the software source code including release notes to Metricom for acceptance testing. Novatel shall not commence manufacturing prior to Metricom's written acceptance of the prototype Modem.

3.2 MANUFACTURING. Novatel shall custom-manufacture, assemble, test, label, package (includes plastic or other material housing including retail packaging with approved use of Ricochet brand) and deliver the Modem in accordance with the Network Specifications and the terms of this Agreement, and, for the Guaranteed Volume, also in accordance with the Metricom Specifications.

3.3 MARKET AND USE. For the consideration described in this Agreement, the parties acknowledge and agree that Novatel shall sell the Modems only for use on the Network.

3.4 NRE COSTS. ***

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3.5 REGULATORY AGENCY APPROVAL. Novatel shall be responsible for obtaining any regulatory agency approval, including, but not limited to, FCC approval, for the Modem. Metricom shall, at Novatel's request and expense, assist Novatel in obtaining FCC approval.

3.6 MODIFICATIONS REQUESTED BY METRICOM. During the term hereof, changes to Metricom's Know-how, government regulations (including FCC Part 15 regulations), or other masons may require changes to the Network Specifications and/or the Metricom Specifications and therefore the Modem.

(a) Metricom shall, from time to time, provide Metricom Software updates to Novatel. Novatel shall incorporate such changes into the Modem software and make it available to Level I Technical Support providers within (i) fourteen (14) days of receipt of such update for critical changes; and (ii) thirty (30) days of receipt of such update for non-critical changes. Novatel's changes shall be subject to acceptance testing by Metricom.

(b) In the event Metricom requests an engineering change to a Guaranteed Volume Modem, Novatel shall notify Metricom in writing of any impact on the cost and/or scheduled delivery of such Modem within ten (10) business days of the receipt of Metricom's written change request. This should include, but not be limited to, a costed bill of materials, scheduled delivery, and any additional NRE.

(c) Upon receipt by Metricom of such estimate, the parties shall agree in writing to which such engineering changes shall be made as well as adjustments, if any, in pricing and delivery schedules and the parties shall agree in writing upon any such engineering changes prior to their implementation.

3.7 MODIFICATIONS BY NOVATEL. Novatel may make changes to the Modem without Metricom's prior written consent; provided, however, that (i) the Modem shall continue to meet the specifications of the Network, and the terms of this Agreement and, for the Guaranteed Volume, also meet the Metricom Specifications; (ii) Metricom receives an electronic copy (ASCII text) of the modified source code and any related release notes and documentation and approves such modifications prior to release to end-users; and (iii) is subject to acceptance testing by Metricom. Novatel may make changes in design, components or materials that may have the effect of reducing the cost of production of the Modem or increase reliability or improve performance or expand procurement options.

3.8 UPDATE MECHANISM. Novatel shall provide a mechanism by which an end-user can update the software in their Modem and shall make it available to Level I Technical Support providers at the same time it makes the Modem software, including any updates, available.

3.9 FUTURE DEVELOPMENTS. The parties envision that Novatel may develop, custom manufacture, and deliver to the marketplace, Metricom's Designee(s) or Metricom future generations of the Modems and/or replacement products, subject to satisfactory performance under this Agreement and future technical and market conditions.

3.10 UNIT IDENTIFICATION AND SERIAL NUMBERS. Metricom shall supply Novatel within a range of individual unit identification and serial numbers to be applied to units of the

Modem. Novatel shall incorporate in all Modems and any accompanying documentation therefor one of the individual Metricom-assigned unit identification and serial numbers for each such Modem. Such unit identification and serial number shall be clearly marked and visible externally on each Modem and encoded in the Metricom Software embedded in each Modem. Novatel shall provide Metricom with the unit identification and serial number of each Modem it sells, leases or otherwise puts into use at the time of shipment.

3.11 DEVELOPMENT SCHEDULE. Total time between execution of this Agreement and when the first shipment of the Guaranteed Volume shall be made is *** for development with the first delivery suitable for distribution to end-users to occur *** after receipt of both Metricom's and the FCC's approval.

3.12 TESTING. Novatel shall test all Modem deliveries prior to shipment to confirm conformance with the Network Specifications and the terms of the Agreement, and additionally, for the Guaranteed Volume, the Metricom Specifications. Prior to implementation of such testing, Novatel shall submit to Metricom, and Metricom shall have final approval of, the interoperability and compatibility test plans. Upon request, Novatel shall provide test data to Metricom.

3.13 SUPPORT. Except as provided for in Section 8 of this Agreement, Novatel shall provide for Levels I, II and III Technical Support as set forth in Exhibit I attached hereto for Modems which it sells, leases or otherwise puts into use.

4. OWNERSHIP AND INTELLECTUAL PROPERTY.

4.1 OWNERSHIP.

(a) Novatel acknowledges and agrees that Metricom is and shall remain the sole owner of the Metricom Technology, the Metricom Patents, the Metricom Know-how, the Specifications and the Metricom Software and any improvements to the Metricom Patents, the Metricom Know-how, the Metricom Technology, Specifications and Metricom Software (the "Metricom Improvements") and that Novatel has no rights in or to the Metricom Technology, the Metricom Patents, the Metricom Know-how, the Specifications or the Metricom Software and any Metricom Improvements other than the license rights specifically granted herein.

(b) Metricom acknowledges and agrees that Novatel is and shall remain the sole owner of the Novatel Technology, Novatel Patents and Novatel Know-how and any improvements to the Novatel Technology, Novatel Patents and Novatel Know-how (the "Novatel Improvements") and that Metricom has no rights in or to the Novatel Technology, Novatel Patents and Novatel Know-how and any Novatel Improvements other than the license rights specifically granted herein.

4.2 FUTURE INVENTIONS AND JOINT INVENTIONS. Each party acknowledges and agrees that any and all discoveries, know-how, inventions, methods, ideas and the like ("Inventions") made or discovered pursuant to this Agreement solely by its employees, agents or subcontractors shall be owned solely by such party and that any and all Inventions made jointly by employees, agents or subcontractors of each shall be jointly owned (the "Joint Inventions"),

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all as determined in accordance with U.S. laws of inventorship. Notwithstanding the foregoing, the parties agree that any Inventions made by employees, agents or subcontractors of either party that result in Metricom Improvements shall be owned solely by Metricom and licensed to Novatel pursuant to this Agreement. Novatel shall assign any rights it may obtain in or to such Metricom Improvements and any patents it obtains for such Metricom Improvements to Metricom when such Metricom Improvements are first fixed in a tangible medium or reduced to practice, as applicable. Joint Inventions shall be treated as Confidential Information of each party.

4.3 PROPRIETARY RIGHTS NOTICES. Each unit of the Modem and any accompanying documentation shall include all copyright and proprietary legends provided to Novatel by Metricom.

5. TRADEMARKS.

5.1 Metricom hereby grants Novatel the right to use, and requires Novatel to place on the Modems and on the packaging for Modems during the term of this Agreement, the Metricom trademarks and trade names set forth in Exhibit G hereto (the "Marks") solely to affix the Marks to the Modems in accordance with the Metricom Corporate Style Guide attached hereto as Exhibit H, the Network Specifications, and, for the Guaranteed Volume, the Metricom Specifications or other Metricom requirements. Metricom may alter or replace such Marks or may revise its policies and guidelines related thereto in its sole discretion upon ninety (90) day's prior written notice to Novatel. Novatel hereby admits and recognizes Metricom's exclusive worldwide ownership of such Marks and the renown of Metricom's Marks. Novatel agrees not to take any action inconsistent with such ownership and further agrees to take any action, at Metricom's reasonable expense, including without limitation the conduct of legal proceedings, which Metricom deems necessary to establish and preserve Metricom's rights in and to its Marks. Reproductions of Metricom's Mark's, logos, symbols, etc., shall be true reproductions and done photographically.

6. ROYALTY. Novatel shall pay Metricom *** on all Modems manufactured and sold, leased or otherwise put into use by Novatel. ***

6.1 ***

6.2 ***

6.3 ***

(a) ***

(b) ***

(c) ALL PAYMENTS DUE BY NOVATEL SHALL BE MADE TO METRICOM WITHOUT ANY DEDUCTIONS FOR TAXES, DUTIES, FEES OR CHARGES OF ANY KIND.

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6.4 INSPECTION OF ROYALTY RECORDS.

(a) Novatel shall maintain appropriate books of account and record, in accordance with generally accepted U.S. accounting principles, which shall include inventory records, and shall make accurate entries concerning all transactions relevant to this Agreement (the "Records").

(b) Metricom shall have the right during the term and for six (6) years thereafter (or in the event of a dispute during the Term or within five years thereafter involving in any way the Records, until the dispute is resolved, whichever is later), on reasonable notice to Novatel to inspect, examine, take extracts and make copies from Novatel's Records to the extent necessary to verify the ROYALTY and payments made under this Agreement.

(c) If, upon inspection of the Records of Novatel, Metricom discovers that it did not receive the correct AMOUNT OF ROYALTIES PAYABLE UNDER THIS AGREEMENT, Metricom shall notify Novatel of such discovery. In the event Novatel disagrees with such discovery, the parties shall, acting reasonably and in good faith, work together to resolve such dispute. Within ten (10) days of receipt of Metricom's notice or, in the case of dispute within ten (10) days of resolution of such dispute, Novatel shall pay to Metricom the difference between what was paid and what should have been paid. If the difference exceeds *** of the amount found by Metricom, then Novatel shall bear Metricom's reasonable costs in connection with such Inspection, including all reasonable legal and auditors' fees.

6.5 OBLIGATION TO PAY. ***

PART III: SUPPLY TO AND PURCHASE OF MODEMS BY METRICOM

7. MODEM PURCHASES.

7.1 GUARANTEED VOLUME. Metricom agrees to purchase at least *** Modems (the "Guaranteed Volume") during the Term of this Agreement. The Guaranteed Volume may be purchased by either Metricom or its Designee(s). The Guaranteed Volume shall conform to the Specifications.

7.2 PILOT TEST. Upon completion of Modem development and Metricom's written acceptance of a prototype Modem that conforms to the Specifications, approximately *** from execution of this Agreement, Novatel shall manufacture and deliver *** Modems, which shall be deducted from Metricom's initial delivery, to Metricom for use in conducting end-user testing and soliciting feedback relative to the Modem ("Pilot Test").

(a) Metricom shall perform one (1) week of testing at its facilities to ensure interoperability and compatibility with the Network.

(b) Thereafter, Metricom shall identify and supply qualified end-users with Modems to conduct Pilot Testing for a period of thirty (30) days.

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(c) If any necessary changes may be handled in the firmware or installation software then manufacturing of the Modems may continue provided that patches for the necessary changes can be effected as part of the manufacturing process.

7.3 FORECAST. Metricom shall submit a one-year forecast to Novatel, attached hereto as Exhibit E. The forecast for the first three months of shipments shall be given to Novatel at least sixty (60) days in advance of the scheduled delivery date and shall be considered fixed at sixty (60) days prior to the delivery date. Thereafter, changes to the forecast for the remaining months may be made in writing as set forth below, provided, however, that Metricom shall have the right to forecast for the entire volume guaranteed within the first six months of shipment by providing seven (7) months advance notice.

NUMBER OF DAYS ADVANCE WRITTEN NOTICE	PERCENT OF CHANGE TO FORECASTED VOLUME
***	***
***	***
***	***
***	***

7.4 PURCHASE ORDERS.

(a) Metricom or its Designee(s) agrees to provide Novatel with binding purchase orders. All purchase orders are binding, and cannot be cancelled or rescheduled except as set forth In the Agreement. Purchase orders shall set forth the quantity of Modems ordered, the destination of delivery and the delivery date required.

(b) Should a Metricom Designee(s) place the purchase order, Novatel shall ship and bill directly to the Metricom Designee(s). During the term of this Agreement, unless mutually agreed to by Novatel, Metricom and the Metricom Designee(s), the terms and conditions of this Agreement shall govern all Metricom Designee(s) purchase orders. Metricom shall inform its Designee(s) of the terms of this Agreement.

(c) Any terms or conditions in any purchase order, sales acknowledgment or receipt that is different from, inconsistent with or additional to the terms and conditions of this Agreement that are not expressly accepted by the other party in writing are void, of no effect, and am hereby rejected by the parties.

7.5 DELIVERY. Novatel shall deliver the Guaranteed Volume of Modems to Metricom or it's Designee(s), in accordance with the Specifications, the applicable purchase order and the delivery schedule set forth in Exhibit E, as may be modified from time to time in accordance with this Agreement, to the location specified in the applicable purchase order provided, however, that:

(a) no deliveries shall occur until Metricom has approved in writing the Modem's compliance with the Specifications and issued an initial Acceptance Certificate; and

(b) all future deliveries shall also be subject to acceptance testing by Metricom or its Designee(s) as set forth in this Agreement.

Title and risk of loss shall pass to Metricom upon Metricom's acceptance of the Modem shipments. Time is of the essence for all deliveries. Novatel will provide Metricom or its Designee(s) documentation on all known errors or unresolved product issues at the time of delivery.

7.6 ACCEPTANCE TEST PROCEDURES. Novatel shall inspect and test all Guaranteed Volume Modem deliveries prior to shipment to confirm conformance with the Specifications. Following receipt of delivery of a Modem shipment, Metricom or its Designee(s), as specified in the applicable purchase order, may inspect such shipment for conformance with the Specifications.

(a) Upon determination that a shipment does meet Specifications, Metricom will issue an Acceptance Certificate for such shipment. Such Acceptance Certificate does not imply acceptance of any other shipment nor waive the warranty provisions under this Agreement or any other remedy that Metricom may have for a defective shipment.

(b) In the event that a shipment is rejected for failure to meet Specifications, Metricom or its Designee(s) shall return the shipment at Novatels expense and provide Novatel with written notification of the shipment's nonconformity. Novatel shall undertake to repair or replace the shipment or any nonconforming portion thereof at no charge to Metricom. or its Designee(s) and resubmit the shipment to Metricom or its Designee(s) within five (5) days of receipt of the rejected shipment.

8. MODEM SUPPORT.

8.1 TECHNICAL SUPPORT TRAINING AND DOCUMENTATION. Novatel shall provide training and documentation for the Modem to service technicians and engineering support at Metricom and its Designee(s) which shall be sufficient to allow Metricom or its Designee(s) to provide Level I Technical Support with reasonable product knowledge and troubleshooting skills. Training shall include, but not be limited to, general use, support, troubleshooting, functionality, operation, interoperability and compatibility of the Modem that is developed and purchased under this Agreement. In addition, all support related documentation, troubleshooting tools and materials, test equipment, training materials, notes, frequently asked questions ("FAQ's"), and web based support materials shall be made available to Metricom or its Designee(s) for their use in supporting the Modem. In the event any product changes result in new functionality or change in operation and compatibility, Novatel shall provide additional training to Metricom and its Designee(s).

8.2 SUPPORT LEVELS. Level I, Level II and Level III Technical Support shall be defined in Exhibit I of this Agreement.

8.3 METRICOM SUPPORT OBLIGATIONS.

(a) Metricom or its Designee(s) shall, in a diligent manner consistent with industry practices, provide Level I Technical Support to their direct end-user(s) for Modems which Metricom or its Designees have purchased under the terms of this Agreement.

(b) If Metricom or its Designee is unable to resolve the question or issues to Customer's satisfaction, Metricom or its Designee shall forward the request to Novatel Level II Technical Support for further investigation and resolution.

(c) Upon approval from Novatel, Metricom or its Designee(s) may refer a Customer directly to Novatel for Level II and Level III Technical Support.

8.4 NOVATEL SUPPORT OBLIGATIONS.

(a) Novatel support and engineering staff shall provide Level II and Level III Technical Support directly to Metricom or its Designee(s) by telephone via a toll free number twenty-four (24) hours a day, seven (7) days a week for Moderns which Metricom or its Designees have purchased under the terms of this Agreement. Upon approval from Novatel, Metricom or its Designee(s) may refer a Customer directly to Novatel for Level II and Level III Technical Support.

(b) Level II Technical Support issues that remain unresolved longer than *** after notification of the problem or issues flagged as sensitive or mission critical, shall be escalated to Level III Technical Support for final resolution.

(c) Novatel shall provide written explanation to Metricom or its Designee of the problem, known symptoms, possible causes, and expected time for resolution for any Level III Support issue that remains unresolved longer than *** after escalation to Level III Support.

(d) Novatel shall provide Metricom or its Designee(s) documentation on all known errors or unresolved product issues (i) at the time of delivery; and (ii) as discovered by Novatel's Level III Support staff after the initial launch of the Modem.

9. PRICE AND PAYMENT.

9.1 PRICE. Metricom shall pay Novatel *** set forth in Exhibit F attached hereto.

9.2 DELIVERY. Novatel shall deliver all Modems to Metricom or any other location Metricom or its Designee(s) shall designate FOB Buyer's Dock. Novatel shall prepay the freight charges and bill such freight charges to Metricom for reimbursement by Metricom. Title and risk of loss shall pass to Metricom upon Metricom's or its Designee(s)'s acceptance of the Modem shipments as evidenced by an Acceptance Certificate. Metricom or its Designee(s) shall assume all freight charges which result from expedited shipment dates requested by Metricom or its Designee(s). The parties acknowledge and agree that time is of the essence for all deliveries.

* Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

9.3 PAYMENT.

(a) All payments for Modems purchased by Metricom under this Agreement shall be due and payable thirty (30) clays following receipt of valid invoice.

(b) Should Metricom issue the purchase order, invoices shall accompany applicable Modem shipments or, if the Modem shipments are to be made to a location other than Metricom's Los Gatos facilities, then such invoice shall be sent to the Los Gatos facility at the same time the shipment is made to the alternate destination.

(c) Should a Metricom Designee(s) issue the purchase order, invoices shall accompany the applicable Modem shipment or, if the Modem shipments are made to a location other than the billing address, then such-invoice shall be sent to the Metricom Designee(s)'s billing address at the same time the shipment is made to the alternate destination.

(d) The parties acknowledge and agree that Metricom shall have no obligation, financial or otherwise, for purchase orders made by a Metricom Designee(s).

9.4 TAX. Novatel shall separately state on the invoices delivered to Metricom all taxes applicable to sale of the Modems to Metricom, excluding any taxes based on the net income of Novatel. Metricom shall pay Novatel any such properly invoiced and applicable amounts and Novatel shall pay the relevant taxing authorities any such amounts when due. Novatel hereby indemnifies and holds Metricom harmless from and against any and all liabilities, penalties, and amounts due regarding any taxes or fees due to the applicable government not properly or timely invoiced or paid by Novatel which was the responsibility of Novatel.

9.5 FREIGHT. Novatel shall separately stale on the invoices delivered to Metricom all applicable freight charges, at cost. Metricom shall pay Novatel any such properly invoiced and applicable amounts.

10. INCENTIVES AND PENALTIES.

10.1 ***

10.2 ***

11. FUTURE RELATIONSHIPS. In the event Novatel enters into a separate purchase agreement with other parties, Novatel agrees that (i) ***

PART IV: GENERAL

12. CONFIDENTIALITY.

12.1 CONFIDENTIALITY. Each party hereto will maintain in confidence all Confidential Information disclosed by the other party hereto. Neither party will use, disclose or grant use of such Confidential Information except as expressly authorized by this Agreement. To the extent that disclosure is authorized by this Agreement, the disclosing party will obtain

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prior agreement from its employees, agents or consultants to whom disclosure is to be made to hold in confidence and not make use of such information for any purpose other than those permitted by this Agreement. Each party will use at least the same standard of care as it uses to protect its own most confidential information to ensure that such employees, agents or consultants do not disclose or make any unauthorized use of such Confidential Information. Each party will promptly notify the other upon discovery of any unauthorized use or disclosure of the Confidential Information. Notwithstanding any other provision in this Agreement to the contrary, the obligations set forth in this section shall survive any termination or expiration of this Agreement for a period of ten years thereafter.

12.2 EXCEPTIONS. The obligations of confidentiality contained in this section will not apply to the extent that it can be established by the receiving party by competent proof that such Confidential Information:

(a) was already known to the receiving party, other than under an obligation of confidentiality, at the time of disclosure by the other party;

(b) was generally available to the public or otherwise part of the public domain at the time of its disclosure to the other party;

(c) became generally available to the public or otherwise part of the public domain after its disclosure and other than through any act or omission of the receiving party in broach of this Agreement;

(d) was disclosed to the receiving party, other than under an obligation of confidentiality, by a third party which had no obligation to the other party not to disclose such Information to others.

12.3 AUTHORIZED DISCLOSURE. Each party may disclose the Confidential Information to the extent such disclosure is reasonably necessary in filing or prosecuting patent applications, prosecuting or defending litigation or complying with applicable governmental regulations, provided that if such party is required to make any such disclosure of the Confidential Information it will to the extent practicable give reasonable advance notice to the other party of such disclosure requirement and, except to the extent inappropriate in the case of patent applications, will use its best efforts to secure confidential treatment of such information required to be disclosed. The parties acknowledge that the sale of the Modem may necessarily disclose Confidential Information of the parties and the parties agree to use commercially reasonable efforts to limit such disclosure. In furtherance thereof, Novatel agrees to provide Metricom a copy of all documentation.

12.4 OWNERSHIP OF CONFIDENTIAL INFORMATION. All Confidential Information of a party shall remain the exclusive property of such party, and no right, title or interest in such information shall be conveyed to the other party by release of such information to it. Each party receiving such information agrees to return or destroy all such information upon the written request of the other party, or upon the reasonable determination by the other party that the receiving Party no longer has a need for such information. Each party agrees to notify the other party if it becomes aware of any use of the information that is not authorized by this Agreement.

12.5 INJUNCTIVE RELIEF. Each party acknowledges that, in the event of a breach of this Section by such party or any of its officers, directors, agents and/or employees, the other party will suffer irreparable damages that cannot be fully remedied by monetary damages. Each party therefore agrees that the other party shall be entitled to seek injunctive relief against any such breach in any court of competent jurisdiction. The rights of each party under this Section shall not in any way be construed to limit or restrict its rights to seek or obtain other damages or relief available under this Agreement or applicable law.

12.6 INDEPENDENT DEVELOPMENT. The terms of this Section shall not be construed to limit a party's right to independently develop or acquire products which are similar in functionality to those of the other party so long as such development or acquisition is made without the use of the Confidential Information of the other Party. Both parties acknowledge that each of them may currently or in the future be developing information internally, or receiving information from other parties, that is similar to the Confidential Information of the other. Nothing in this Agreement will be construed as a representation or agreement that the receiving party will not develop or have developed for its products, concepts, systems or techniques that are similar to or compete with the products, concepts, systems or techniques contemplated by or embodied in the Confidential Information provided that the receiving party does not violate any of its obligations under this Agreement.

13. TERM AND TERMINATION.

13.1 TERM. This Agreement will commence as of the Effective Date and, unless sooner terminated as provided hereunder, ***. The term may be extended only upon the mutual written agreement of the parties.

13.2 TERMINATION FOR CAUSE.

(a) The Agreement and the Metricom licenses granted herein will terminate prior to the end of the term at the option of the non-breaching party upon thirty (30) days written notice if the other party breaches or defaults on any material obligation under this Agreement and fails to cure such breach or default during such thirty (30) day period. In the event such breach cannot reasonably be cured within such thirty (30) day period, the breaching party shall be required to (i) commence curing such breach or default during such thirty (30) day period and diligently pursue such cure until the breach or default has been cured; and (ii) and provide written notice to the non-breaching party of the time required to cure such breach or default.

(b) Metricom shall have the right to terminate this Agreement upon written notice to Novatel in the event Novatel does not agree to the Specifications for the Guaranteed Volume within sixty (60) days from the execution of this Agreement. Upon such termination, Metricom will reimburse Novatel for any expenses related to the development of the Modems incurred prior to the termination date, ***.

13.3 EFFECT OF TERMINATION.

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(a) RESTOCKING FEE. If termination occurs as a result of Metricom's material breach of the Agreement or upon Metricom's request without cause, end such termination occurs prior to Metricom's receipt and acceptance of *** that comply with this Agreement, then Metricom shall pay Novatel, ***. Without limiting the foregoing, Metricom shall still be responsible for paying any amounts due under any outstanding purchase orders where Novatel has delivered and Metricom has accepted such deliveries.

(b) DUTIES OF THE PARTIES UPON TERMINATION. Upon any termination or expiration of this Agreement, Novatel agrees to do the following: (1) refrain thereafter from representing itself as a distributor or manufacturer of the Modem; and (2) return to Metricom all tangible items in its possession or under its control evidencing the Licensed Technology and Confidential Information of Metricom, including all copies of the Metricom Software, the source code, modified or otherwise, and any related documentation. Upon any termination or expiration of this Agreement, Metricom agrees to return to Novatel all tangible items in its possession or under its control evidencing Confidential Information of Novatel.

(c) LICENSE TERMINATION. Upon any termination or expiration of this Agreement, all licenses granted by Metricom under this Agreement shall be terminated. Upon any termination or expiration of this Agreement, all licenses, except those for Modems delivered to Metricom or its Designee(s), granted by Novatel under this Agreement shall be terminated.

(d) SURVIVAL. Except as set forth in the applicable section, Sections 1, 2, 3.3, 4, 5, 6.4, 6.5, 7, 12, 14, 15, 16 and 18 shall survive any termination of this Agreement.

14. REPRESENTATIONS AND WARRANTIES.

14.1 REPRESENTATIONS AND WARRANTIES. Each party hereby represents and warrants:

(a) CORPORATE POWER. Such party is duly organized and validly existing under the laws of the state or county of its incorporation and has full corporate power and authority to enter into this Agreement and to carry out the provisions hereof.

(b) DUE AUTHORIZATION. Such party is duly authorized to execute and deliver this Agreement and to perform its obligations hereunder,

(c) BINDING AGREEMENT. This Agreement is a legal and valid obligation binding upon it and enforceable in accordance with Its terms. The execution, delivery and performance of this Agreement by such party does not conflict with any agreement, instrument or understanding, oral or written, to which it is a party or by which it may be bound, nor violate any law or regulation of any court, governmental body or administrative or other agency having jurisdiction over it.

14.2 WARRANTY. Novatel represents and warrants that for a period of twelve (12) months from the Metricom's or its Designee(s)'s acceptance of a shipment as evidenced by the Acceptance Certificate, all Modems delivered under this Agreement shall be free of defects in materials or workmanship and shall conform with the applicable Specifications. In the event

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of a breach of this Warranty, Novatel shall repair or replace the defective Modem(s) at no additional charge to Metricom or its Designee(s).

14.3 DISCLAIMER OF WARRANTIES. EXCEPT AS EXPRESSLY PROVIDED HEREIN, METRICOM HEREBY EXPRESSLY DISCLAIMS ANY AND ALL WARRANTIES OF ANY KIND OR NATURE, WHETHER EXPRESS OR IMPLIED, RELATING TO THE METRICOM TECHNOLOGY, THE METRICOM SOFTWARE OR THE METRICOM PATENTS, INCLUDING WITHOUT LIMITATION ANY WARRANTIES OF TITLE, NON-INFRINGEMENT, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. Without limiting the generality of the foregoing, Metricom expressly does not warrant (i) the patentability of any of the Inventions, or (ii) the accuracy, safety, or usefulness for any purpose, of the Licensed Technology or the Modem. Except as set forth in Section 15, Metricom assumes no liability in respect of any infringement of any patent or other right of third parties due to any activities of Novatel under this Agreement.

15. INDEMNIFICATION.

15.1 INFRINGEMENT INDEMNITY.

(a) METRICOM INDEMNITY. Metricom shall indemnify and hold Novatel harmless and will defend Novatel against any actions based on a claim that the Technology, Metricom Know-How and Metricom Patents relied upon by Novatel or the Metricom Software, in the absence of any modifications and not in combination with any other technology, infringes any patent, copyright or other proprietary rights of any third party, or misappropriates any trade secret of any third party.

(b) NOVATEL INDEMNITY. Novatel shall indemnify and hold Metricom harmless from and will defend against any action brought against Metricom to the extent that it is based on a claim that the manufacture, use or sale of the Modem infringes any patent, copyright or other proprietary rights of any third party or misappropriates any trade secret of any third party, but not to the extent such action is based on the incorporation or use of the Technology. Metricom Know-How, Metricom Patents relied upon by Novatel or the Metricom Software in such Modem.

(c) INDEMNIFICATION PROCEDURES. An indemnifying party hereunder shall be liable for any costs and damages to third parties incurred by the other party which are attributable to any such claims, provided that such other party (i) notifies the indemnifying party promptly in writing of the claim, (ii) permits the indemnifying party to defend, compromise or settle the claim, and (iii) provides all available information, assistance and authority to enable the indemnifying party to defend, compromise or settle such claim. Any indemnifying party hereunder shall diligently pursue any defense required to be rendered hereunder, shall keep the indemnified party informed of all significant developments in any action defended by the indemnified party, and shall allow the indemnified party reasonable opportunity to comment upon any settlement proposed to be entered into by the indemnifying party on behalf of the indemnified party.

15.2 GENERAL INDEMNIFICATION. Both parties agree to indemnify and save harmless the other party, its subsidiaries, other affiliates, and the officers, directors, employees, successors and assigns of any of them, from all costs, damages and expenses including costs of settlement, reasonable attorney's fees and court costs that arise out of or result from injuries or death to persons or damage to property, including theft, caused by or on account of negligence or willful misconduct by the indemnifying party or person furnished by the indemnifying party.

16. LIMITATION OF LIABILITY.

16.1 WAIVER OF CONSEQUENTIAL DAMAGES. IN NO EVENT WILL EITHER PARTY BE LIABLE TO THE OTHER FOR ANY LOST PROFITS, LOST SAVINGS, OR ANY OTHER INCIDENTAL, SPECIAL, OR CONSEQUENTIAL DAMAGES, EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, ARISING OUT OF OR IN CONNECTION WITH THE GRANTING OR USE OF THE LICENSES HEREUNDER.

16.2 LIMITATION OF LIABILITY. EXCEPT AS SET FORTH IN THIS AGREEMENT OR IN THE CASE OF A KNOWING OR WILLFUL VIOLATION OF A PARTY'S OR ANY THIRD PARTY'S INTELLECTUAL PROPERTY RIGHTS BY EITHER PARTY, NEITHER PARTY'S TOTAL LIABILITY TO THE OTHER HEREUNDER SHALL EXCEED THE NET AMOUNT PAID BY METRICOM TO NOVATEL UNDER THIS AGREEMENT.

17. INSPECTION AND AUDIT. Metricom shall be entitled, at its sole expense, upon reasonable request and during normal business hours to witness testing and manufacturing of the Modem at Novatel's facilities and to audit Novatel's conformance with the Specification conformance test procedures upon reasonable written notice. Such notice to exceed 72 hours and inspections not to exceed five business days. Metricom personnel, in conducting such inspections for audits, shall be bound by the confidentiality provisions set forth herein.

18. MISCELLANEOUS PROVISIONS.

18.1 RELATIONSHIP OF THE PARTIES. Neither party is, nor will be deemed to be, an agent or legal representative of the other party for any purpose. Neither party will be entitled to enter into any contracts in the name of or on behalf of the other party, and neither party will be entitled to pledge the credit of the other party in any way or hold itself out as having authority to do so. No party will incur any debts or make any commitments for the other, except to the extent, if at all, specifically provided herein.

18.2 ASSIGNMENT. Except as otherwise provided herein, neither this Agreement nor any interest hereunder will be assignable in part or in whole by either party without the prior written consent of the other; provided, however, that Metricom may assign this Agreement to its Designee(s). This Agreement will be binding upon the successors and permitted assigns of the parties and the name of a party appearing herein will be deemed to include the names of such party's successor's and permitted assigns to the extent necessary to carry out the intent of this Agreement. Any assignment which is not in accordance with this Section will be void.

18.3 the disclosing party will obtain prior agreement from its employees, agents or consultants to whom disclosure is to be made to hold in confidence and not make use of such information for

18.4 FORCE MAJEURE. Neither party will be liable to the other for loss or damages or will have any right to terminate this Agreement for any default or delay attributable to any fire, floods, earthquake, embargo, war, act of war (whether declared or not), insurrections, riots, civil commotions, strikes, lockouts or other labor disturbances, acts of God or act, omission or delay in acting by any governmental authority other than those regulatory agencies from whom approval or certification must be obtained or the other party, if the party affected gives prompt notice of any such cause to the other party. The party giving such notice will thereupon be excused from such of its obligations hereunder as it is thereby disabled from performing for so long as it is so disabled and for 30 days thereafter; provided, however, that such affected party commences and continues to take reasonable and diligent actions to cure such cause.

18.5 GOVERNING LAW AND VENUE. This Agreement is made in accordance with and shall be governed and construed in accordance with the laws of the State of California, without regard to conflicts of laws rules. All disputes arising hereunder not resolved amicably by discussions between the appropriate representatives of the parties shall be adjudicated in the state and federal courts having jurisdiction over disputes arising in Santa Clara County, California, and Novatel hereby consents to the jurisdiction of such courts. The official language of this Agreement is English.

18.6 COMPLIANCE WITH LAWS AND REGULATIONS. Each party agrees that it will comply with all federal, state and local laws and regulations in force as of the Effective Date.

18.7 EXPORT CONTROL. The parties acknowledge that the manufacture and sale of the Modem is subject to the export control laws of the United States of America, including the U.S. Bureau of Export Administration regulations, as amended, and hereby agree to obey any and all such laws. The parties agree not to take any actions that would cause either party to violate the U.S. Foreign Corrupt Practices Act of 1977, as amended.

18.8 NOTICES. All notices and other communications hereunder will be in writing and will be deemed given if delivered personally or by facsimile transmission (receipt verified), telexed or sent by express courier service, to the parties at the following addresses (or at such other address for a party as will be specified by like notice; provided, that notices of a change or address will be effective only upon receipt thereof): If to Metricom, addressed to:

Metricom, Inc.
980 University Avenue
Los Gatos, CA 95030

if to Novatel, addressed to:

Novatel Wireless, Inc.
9380 Towne Centre
Suite 110
San Diego, CA 92121

18.9 AMENDMENT. No amendment, modification or supplement of any provision of the Agreement will be valid or effective unless made in writing and signed by a duly authorized officer of each party.

18.10 WAIVER. No provision of the Agreement unless such provision otherwise provides will be waived by any act, omission or knowledge of a party or its agents or employees except by an instrument in writing expressly waiving such provision and signed by a duly authorized officer of the waiving party.

18.11 SEVERABILITY. Whenever possible, each provision of the Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of the Agreement is held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of the Agreement.

18.12 HEADINGS. The section headings appearing in this Agreement are inserted only as a matter of convenience and in no way define, limit, construe or describe the scope or intent of any such section nor in any way affect this Agreement.

18.13 PARTIES ADVISED BY COUNSEL. This Agreement has been negotiated between unrelated parties who are sophisticated and knowledgeable in the matters contained in this Agreement and who have acted in their own self interest. In addition, each party has been represented by legal counsel. The provisions of this Agreement shall be interpreted in a reasonable manner to effect the purpose of the parties, and this Agreement shall not be interpreted or construed against any party to this Agreement because that party or any attorney or representative for that party drafted this Agreement or participated in the drafting of this Agreement.

18.14 ENTIRE ASSIGNMENT OF THE PARTIES. The Agreement and the Development Agreement will constitute and contain the complete, final and exclusive understanding and agreement of the parties and cancels and supersedes any and all prior negotiations, correspondence, understandings and agreements, whether oral or written, between the parties respecting the subject matter thereof.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement, including the Exhibits attached hereto and incorporated herein by reference, as of the Effective Date.

METRICOM, INC.	NOVATEL WIRELESS, INC.
/s/	/s/
- ----------	----------
Signature	Signature
- ----------	----------
Printed Name	Printed Name
- ----------	----------
Title	Title
- ----------	----------
Date	Date

EXHIBIT A

NOVATEL KNOW-HOW, PATENTS AND TECHNOLOGY

NONE

EXHIBIT B

PATENTS

METRICOM PATENTS

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EXHIBIT C

NETWORK SPECIFICATIONS

To be provided within thirty (30) days from the execution of this Agreement.

EXHIBIT D

METRICOM SPECIFICATIONS

GUARANTEED VOLUME MODEMS PERFORMANCE AND USAGE SPECIFICATION

1. SUMMARY OF FEATURES

***

2. PRODUCT REQUIREMENTS

The high level requirements for this product are listed below.

***

2.2. PHYSICAL CHARACTERISTICS

***

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The antenna shall protrude no further than 1" from the side of the attached computer and have an extended length of no more than 6".

2.3. EXTERNAL MATERIAL

***

2.4. COLOR

***

2.5. BRAND IDENTIFICATION

***

2.6. STRUCTURAL INTEGRITY

***

2.7. MOUNTING AND ATTACHMENT TO OTHER DEVICES

***

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2.8. ANTENNA ATTRIBUTES

***

2.9. COMMUNICATION I/O PORT

***

2.10. IN-BOX MATERIAL

***

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3. USABILITY

3.1. INSTALLATION

***

3.2. USER INTERFACE

***

4. FUNCTIONALITY

4.1. OPERATING LIFE/POWER REQUIREMENTS

***

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***

4.2 COMPATIBILITY

***

4.3. SOFTWARE/FIRMWARE

***

5. ACCESSORIES

***

6. COMPATIBILITY

***

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6.2. OPERATING SYSTEMS

***

6.3 USER APPLICATIONS

***

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EXHIBIT E

INITIAL FORECAST AND DELIVERY SCHEDULE

***	***
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***	***
***	***
***	***
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Changes may be made to the Forecast and Delivery Schedule in accordance with Section 7.3 of this Agreement.

***

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EXHIBIT F

PRICE

The parties acknowledge and agree that the prices of the initial design Modems shall be as follows:

***	***
***	***
***	***
***	***

***

***
***
***
***

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EXHIBIT G

TRADEMARKS

Metricom(R)

Ricochet(R)

Metricom design logo

Ricochet design logo

EXHIBIT H

METRICOM CORPORATE STYLE GUIDE

To be provided within thirty (30) days from execution of the Agreement.

EXHIBIT I

TECHNICAL SUPPORT LEVEL DEFINITIONS AND ESCALATION PROCESS

I. DEFINITIONS

LEVEL I TECHNICAL SUPPORT:

Level I Technical Support receives Customer calls and answers routine inquires and frequently asked questions related to the basic operation of the hardware and software, functionality, interoperability and capabilities of the Modem using available tools, documentation, test equipment and other materials provided by Novatel.

LEVEL II TECHNICAL SUPPORT:

Level II Technical Support shall be provided by Novatel support and engineering staff and includes, but is not limited to, providing assistance in resolving any outstanding Level I Support issues and questions. Level II Technical Support shall be provided directly to Level I Technical support personnel and Level I Technical Support personnel shall have direct access to designated support staff within the Novatel support organization for this purpose.

LEVEL III TECHNICAL SUPPORT:

Level III Technical Support shall be provided by Novatel support and engineering staff and includes, but is not limited to, resolution of any issues that cannot or have not been satisfactorily resolved by Level I and Level II Support personnel and any problems with the engineering or manufacturing of the Modem.

II. ESCALATION PROCESS:

Support issues related to the engineering or manufacturing of the Modem shall immediately be escalated to Level III Technical Support

Level I Technical Support issues that are not resolved to Customer's satisfaction will be forwarded to Level II Technical Support for further investigation and resolution.

Level I Technical Support may refer a Customer directly to Novatel for Level II and Level III Technical Support upon approval from Novatel.

Level II Technical Support issues that remain unresolved after *** from the initial notification by Level I Technical Support of the problem, or problems that are flagged as sensitive or mission critical, shall be escalated to Level III Technical Support for final resolution.

Novatel shall provide prompt written explanation to Metricom or its Designee of the problem, known symptoms, possible causes, and expected time of resolution for any Level III Support issue that remains unresolved longer than *** after escalation to Level

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III Support.

EXHIBIT 10.12

SUPPLY AGREEMENT

This Supply Agreement ("Agreement") is being entered into and is effective as of August 12, 1999 (the "Effective Date"), by and between NOVATEL WIRELESS, INC., a Delaware corporation ("Novatel" or "Seller"), having its principal place of business at 9360 Towne Centre Drive, San Diego, California and OPENSKY CORPORATION, a Delaware corporation ("OpenSky" or "Buyer"), having its principal place of business at 471 Emerson Street, Suite 200, Palo Alto, California.

WHEREAS, Seller is engaged in, among other things, the development and manufacture of the Minstrel III(TM) wireless modem cradle ("Minstrel III") and the Minstrel V(TM) wireless modem cradle ("Minstrel V"), for the Palm III and Palm V connected organizers, respectively (the Minstrel III and the Minstrel V are referred to herein collectively as the "Modems");

WHEREAS, Buyer desires to purchase certain quantities of such Modems from Seller, and Seller is willing to supply such quantities of such Modems to Buyer, subject to the terms and conditions of this Agreement;

NOW, THEREFORE, in consideration of the premises and the mutual promises and covenants set forth below, the parties agree as follows:

1. SALE AND PURCHASE OF PRODUCTS.

1.1 Sale and Purchase. Buyer shall purchase from Seller, and Seller shall supply to Buyer, an *** Modems pursuant to the schedule of payment and delivery in Annex A, for an ***, subject to any adjustments to the Mix (as described in Section 1.3) made in accordance with Section 1.3 hereof.

1.2 Payments. Buyer shall make payments due to Seller for Deliverable Items either directly to Seller or to such bank as Seller may designate in writing. Payments for Modems shall be due and payable in full, in cash, by Buyer thirty (30) days prior to each scheduled delivery of Modems into Seller's Distribution Facility in San Diego, California (the "Novatel Distribution Facility"). Each delivery of specification compliant Modems in accordance with Annex D for which a pre-payment by Buyer has been received may not be canceled. Payments for Deliverable Items (other than Modems), shall be due and payable in full, in cash, by Buyer within thirty (30) days following the date of shipment to end-users on behalf of Buyer. For purposes of this Agreement, "Deliverable Items" shall mean any item, or parts thereof, that Seller is obligated to provide under this Agreement including but not limited to Modems, documentation, know-how and information. Payment for shipping and configuration and activation shall be due and payable in full, in cash, as set forth in Sections 1.8 and 2.1, respectively.

1.3 Prices and Mix. The Modems shall be supplied to Buyer at a *** for the Minstrel III and *** for the Minstrel V. Pricing is based on ***. During the term of this Agreement, unless changed in accordance with this Section 1.3, the number of each type of Modem to be purchased in each delivery and in the aggregate under this Agreement shall be 80%

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Minstrel V and 20% Minstrel III (the "Mix"). Buyer may change the Mix (i) by 10% upon 30-days' advance written notice to Seller; (ii) by 30% upon 60-days' advance written notice to Seller or (iii) in its entirety upon 90-days' advance written notice to Seller. Buyer may change the delivery schedule set forth on Annex A as to the total monthly quantity of Modems shipped upon sixty (60) days prior written notice to Seller; provided, however, that (i) any increase in the monthly quantity of Modems shall not exceed 20% of the monthly quantity of Modems set forth on Annex A for the relevant month; (ii) any decrease in the monthly quantity of Modems shall not exceed 30% of the monthly quantity of Modems set forth on Annex A for the relevant month and (iii) the total quantity of Modems purchased under this Agreement shall remain unchanged. If Buyer reduces the monthly quantity of Modems during the Exclusivity Period pursuant to the previous sentence, then notwithstanding anything to the contrary in this Agreement, the exclusivity provided for in Section 1.9 shall not apply with respect to the number of Modems by which such monthly quantity of Modems was so reduced.

1.4 Advance. The parties hereto acknowledge and agree that in order to ensure the prompt availability of the Modems of the initial scheduled delivery hereunder as provided in Annex A, Seller must make an initial commitment to its suppliers of components. On the dates set forth below, Buyer shall advance an ***:

***	***
***	***
	***
***	***
	***

***

1.5 Accessories. During the Shipping Period (as defined in Section 1.8 below), Seller shall hold for Buyer 1,000 Minstrel III batteries in reserve inventory and shall make available accessories for the Modems at such prices listed in Annex B.

1.6 Acceptance Criteria. The Modems shall be run through an acceptance test prior to delivery. The acceptance test will be based on an agreed to statistical sampling of the Modems and will demonstrate that the Modems meet all of the Product Specifications outlined in Annex D. If there is a statistical failure rate of greater than *** for any Product Specifications, then every modem shall be tested prior to acceptance by Buyer. Seller shall provide Buyer notice of when acceptance test will be performed. Buyer shall have the right to witness each such test. Upon completion of the acceptance test, Seller shall provide Buyer with the results of such test and Buyer shall indicate acceptance by signing the acceptance test documentation.

1.7 Delivery and Title. The Modems sold to Buyer shall be delivered to the Novatel Distribution Facility in accordance to the delivery schedule set forth in Annex A. Title and risk of loss in the Modems shall transfer to Buyer at such time as Seller ships the Modems to

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an end-user on behalf of Buyer or to a third party distributor on behalf of Buyer. Seller shall warehouse the inventory on behalf of Buyer and ship to end-users the Modems on behalf of Buyer from the Novatel Distribution Facility in accordance with Section 1.8 below. Subject to Section 8 below, all Modems shipped to Buyer or to the end-users on behalf of Buyer shall be non-returnable.

1.8 Shipping.

1.8.1 From the period beginning November 1, 1999 and ending March 1, 2000 (the "Shipping Period") Seller shall make shipments FOB Destination of the Modems to end-users on behalf of Buyer. In each case, Buyer shall provide to Seller in writing, by electronic transmission or any other mode of communication as set forth in Section 13.11, such information as is necessary to complete the requested shipment, including without limitation, the address or location of shipment, the number and type of Modem to be shipped and the type of shipment to be utilized pursuant to Section 1.8.2 below. Seller shall arrange for the requested shipment FOB Destination within a 24-hour period from receipt by Seller of Buyer's shipment request pursuant to this Section 1.8.1.

1.8.2 During the Shipment Period, Seller shall arrange, in coordination with Buyer, for the air carrier insurance and freight from the Novatel Distribution Facility to end-users on behalf of Buyer, and the CIF cost shall be borne by Buyer directly. Seller shall provide three (3) shipment options to Buyer: (i) overnight delivery; (ii) 2-day delivery or (iii) ground delivery; and for which Buyer shall pay Seller, in cash, fees for shipment of the Modems pursuant to this Section 1.8.2. As additional shipping options and volume discounts become available, the fees for shipment paid by Buyer to Seller may be agreed upon on a case by case basis by Buyer and Seller. Seller shall deliver monthly invoices to Buyer for the costs and fees in connection with the shipment of the Modems made to end-users on behalf of Buyer. In addition to such other amounts as may be due hereunder, Buyer shall pay Seller in full, in cash, for Seller's costs and fees for such shipments within thirty (30) days following the date of delivery of such invoice to Buyer pursuant to this Section 1.8.2.

1.9 Exclusivity. The Minstrel V shall be made available for sale and purchase exclusively to Buyer for the Exclusivity Period. The "Exclusivity Period" means the four-month period commencing as of the later of (i) such date Seller has delivered *** Minstrel V units in accordance with this Agreement on account of Buyer to the Novatel Distribution Facility or (ii) November 30, 1999. In the event that Seller's delivery of field trial Minstrel V Modems is not made prior to September 30, 1999 or Seller retrofits Modems pursuant to Section 1.17 or Section 5 hereof, then (i) the initial delivery of Modems into the Novatel Distribution Facility shall be due on December 31, 1999; (ii) each subsequent delivery date on Annex A shall be adjusted accordingly; and (iii) the Exclusivity Period will begin on such date Seller has delivered 18,000 Minsrel V units in accordance with this Agreement to the Novatel Distribution Facility.

1.10 Warranties. Acceptance of a Modem shall not relieve Seller from its obligations thereunder with respect to warranties under Section 8 below.

1.11 Title; Risk of Loss. Title to Deliverable Items covered by this Agreement shall pass to Buyer and risk of loss of or damage to Deliverable Items shall be assumed by

Buyer, at such time Seller ships the Deliverable Items to an end-user on behalf of Buyer or to a third party distributor on behalf of Buyer.

1.12 Taxes. The prices of all Modems and Deliverable Items hereunder include all taxes, duties and excises which are directly imposed on the Modems or Deliverable Items. Notwithstanding the foregoing, Buyer shall bear the responsibility for any taxes or duties imposed on Deliverable Items in any other country or state of destination, including without limitation, taxes imposed on the sale by Buyer of a product that includes Seller products.

1.13 Adverse Results; Government Action. Each party agrees to promptly notify the other party of any adverse or unexpected results or any actual or potential government action relevant to a Modem of which it becomes aware.

1.14 Invoices; Errors. Invoices shall be submitted by Seller in duplicate (original and one copy) for each delivery of Deliverable Items (other than Modems) and will enclose as an integral part thereof documentary proof of delivery of such Deliverable Items, according to commercially accepted standards for exports.

1.15 Additional Supply. Beginning after completion of delivery of *** Modems and for a period of ***. The *** option of available allocation granted to Buyer under this Section 1.15 shall be on such terms and conditions and at such price as mutually agreed upon between the parties hereto or as then in effect pursuant to future Modem supply agreements entered into between Buyer and Seller but ***.

1.16 Schedule. If Seller fails to deliver the Modems to the Novatel Distribution Facility as scheduled in Annex A and Buyer waives the delay, Annex A shall be adjusted by changing the dates in Annex A by an equivalent number of days. For example, a thirty (30) day delay in delivery will cause a thirty (30) day delay in every subsequent delivery requirement pursuant to Annex A. If Seller is only able to deliver a portion of the Modems as scheduled, then the remaining portion shall be delivered fifteen (15) days after the final delivery pursuant to Annex A. Any prepayment in accordance with Section 1.2 for undelivered Modems shall be applied to the prepayment for the next scheduled delivery of Modems. In the event the Modems are not delivered for field trial by September 30, 1999 pursuant to Section 1.17 below then the delivery schedule on Annex A will be adjusted so that the initial delivery shall be due on December 31, 1999 and each subsequent delivery on Annex A shall be adjusted accordingly.

1.17 Field Trials. Seller will deliver Modems for Buyer to conduct field trials on or prior to September 30, 1999. If the Modems have mechanical or electrical failures in excess of *** during Buyer field trial then Seller shall immediately stop delivery of Modems to the Novatel Distribution Facility. Seller shall make the necessary changes to rectify the identified failures and all previously delivered Modems shall be retrofitted to meet the specification configuration.

2. CONFIGURATION AND ACTIVATION; TRADEMARKS.

2.1 Configuration and Activation.

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2.1.1 Seller shall configure and activate each Modem on behalf of Buyer. Buyer shall provide shipping, configuration and activation instructions in writing, by electronic transmission or any other mode of communication as set forth in Section 13.11, to Seller for each Modem to be shipped on behalf of Buyer. *** Seller shall deliver a monthly invoices to Buyer stating the aggregate activation fees due and payable in connection with the activation of the units. Buyer shall pay such fee in full, in cash, within thirty (30) days following the delivery date of such invoice to Buyer.

2.1.2 The parties agree that all Modem units shipped to end-users on behalf of Buyer shall be activated by Seller in accordance with this Section 2 and in consideration of the fee set forth in Section 2.1.1 hereof. In activating the Modems, Seller shall undertake the following steps:

- Unpack Minstrel Cradle
- Plug into AC power source
- Attach pre-configured Palm test unit
- Run "Modem Manager" software
- Program Modem parameters and confirm registration
- Send Test Packet
- Repackage Minstrel in retain box, including activation/IP documentation

2.1.3 Each Modem shall be shipped to an end-user on behalf of Buyer with a joint branding configuration consisting of the word "Novatel Wireless" on the back of the Modem and such name as may be designated by Buyer in writing, by electronic transmission or any other mode of communication as set forth in Section 13.11 on the front of the Modem. Such branding configuration shall extend to the Modem, user documentation and retail packaging. All Modems will be packaged according to standards of trade generally applicable to similar products shipped on a global basis.

2.2 Seller's Trademarks. Buyer shall not use the trademark "Novatel" or "Novatel Wireless" or any other trademark owned or used by Seller or any mark confusingly similar thereto without the prior written consent of Seller in each.

2.2.1 Buyer acknowledges Seller's sole ownership and exclusive right, title and interest in and to the use of each of its trademarks, and that any use of any of the trademarks of Seller will inure solely to the benefit of Seller. Buyer shall not at any time, either during the term hereof or at any time thereafter, directly contest, or aid others in contesting, or do anything which might impair the validity of, any or all of Seller's trademarks or the exclusive ownership thereof by Seller. Buyer shall not acquire any right to or under any of Seller's trademarks. If any such rights should become vested in Buyer by operation of law or otherwise, Buyer agrees it will immediately assign any and all such rights to Seller. Nothing contained herein in any way limit Seller's rights under its patents or licensing agreements nor grant Buyer any rights under such patents or licensing agreements.

2.3 Buyer's Trademarks.

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2.3.1 Seller shall use the trademarks of Buyer only on or in connection with the terms of Section 2.1 hereof and shall not use any marks confusingly similar to Buyer's trademarks on any other goods.

2.3.2 Seller acknowledges Buyer's sole ownership and exclusive right, title and interest in and to the use of each of its trademarks, and that any use of any of the trademarks of Buyer will inure solely to the benefit of Buyer. Seller shall not at any time, either during the term hereof or at any time thereafter, directly contest, or aid others in contesting, or do anything which might impair the validity of, any or all of Buyer's trademarks or the exclusive ownership thereof by Buyer. Seller shall not acquire any right to or under any of Buyer's trademarks. If any such rights should become vested in Seller by operation of law or otherwise, Seller agrees it will immediately assign any and all such rights to Buyer. Nothing contained herein in any way limit Buyer's rights under its patents or licensing agreements nor grant Seller any rights under such patents or licensing agreements.

3. KNOW-HOW AND SUPPORT.

Seller shall provide Level II and Level III Technical Support (as described in Annex C), and training to Buyer's designated service technicians to enable Buyer to provide Level I Support and engineering support at Buyer's facilities to enable Buyer to support the Modems, including the details of modem functionality and design required for detection and correction of bugs or failures . The parties hereto acknowledge and agree that Seller shall not provide direct end-user support to any end-user on its own behalf or on behalf of Buyer (Level I Technical Support). Seller will provide technical support during the term of this Agreement in accordance with the terms of this Agreement for so long as Buyer does not request any change in Seller's specifications of the Modems as set forth in Annex D (the "Product Specifications").

4. AUDIT.

During the term of this Agreement, Seller shall maintain separate, complete and accurate accounting records, in a form in accordance with generally accepted accounting principles, to substantiate Seller's invoices hereunder. Buyer, or any other person designated by it, reserves the right during the term of this Agreement to audit and review, with reasonable notice to Seller, Seller's books and records pertaining to such invoices to substantiate the invoices delivered in connection with this Agreement. Seller shall preserve such books and records for this purpose for a period of seven (7) years from the receipt of last payment from Buyer. Buyer shall have the right to visit the Novatel Distribution Facility to take a physical inventory of Modems that have been delivered in accordance with Section 1.7.

5. REPRESENTATION AND WARRANTY.

Seller represents and warrants that no Federal Trade Commission certification of CDPD carrier certification is required for the Modems. If either certification becomes necessary for the sale of the Modems, Seller shall immediately stop delivery of the Modems to the Novatel Distribution Facility. Seller shall make the necessary changes to certify the Modems and all previously delivered Modems shall be retrofitted to meet the certified configuration.

6. INSURANCE.

Seller shall maintain sufficient general liability insurance for the Novatel Distribution Facility to cover the Modems stored at the site.

7. TERM; TERMINATION; RIGHTS AND OBLIGATIONS UPON TERMINATION.

7.1 Except as otherwise provided for herein, the term of this Agreement shall be for the period commencing on the Effective Date and ending on April 1, 2000, unless terminated earlier by either party pursuant to the provisions of this Section 7 or extended by mutual written agreement of the parties.

7.2 Notwithstanding the foregoing, the following provisions shall continue in effect after termination of this Agreement in accordance with their terms:

(a) All payment provisions, and any payment due at the time of termination shall be paid in accordance with the terms of this Agreement.

(b) All warranties specified in the Agreement.

(c) All Patent Indemnity obligations.

(d) Section 1.14 (Additional Supply).

(e) Sections 2.2 and 2.3 (Trademarks).

(f) Section 7.6 (Commitment Termination Event).

(g) Section 11.3 (Spare Parts).

(h) Sections 13.l and 13.2 (Confidentiality and Advertising).

(i) Section 13.3 (Confidential Information).

(j) Section 13.8 (Applicable Law), which shall govern any dispute between the parties under the Agreement that may subsequently arise.

7.3 Buyer's Right to Terminate. Buyer shall have the right, by providing Seller with thirty (30) days' prior written notice, to terminate this Agreement upon the occurrence of any of the following events, any one of which shall be considered a "Seller Default:"

(a) Seller discontinues the Modems;

(b) Seller is adjudged bankrupt;

(c) Seller files a voluntary petition in bankruptcy or liquidation or for the appointment of a receiver;

(d) Filing of an involuntary petition to have Seller declared bankrupt, or subject to receivership, provided that such petition is not vacated or set aside within ninety (90) days from the date of filing;

(e) The execution by Seller of any assignment for the benefit of creditors; or

(f) Seller breaches any material provision of this Agreement and fails to cure such material breach within thirty (30) days from receipt of written notice describing the breach.

7.4 Seller's Right to Terminate. Seller shall have the right, by providing Buyer with written notice, to immediately terminate this Agreement upon the occurrence of any of the following events, any one of which shall be considered a "Buyer Default:"

(a) Buyer fails to make payments as provided in this Agreement, unless such failure is cured within thirty (30) days from receipt of written demand for such payment. Any late payments shall bear interest at the annual rate of ***;

(b) Buyer is adjudged bankrupt;

(c) Buyer files a voluntary petition in bankruptcy or liquidation or for the appointment of a receiver;

(d) Filing of an involuntary petition to have Buyer declared bankrupt, or subject to receivership, provided that such petition is not vacated or set aside within ninety (90) days from the date of filing;

(e) The execution by Buyer of any assignment for the benefit of creditors; or

(f) Buyer breaches any material provision of this Agreement and fails to cure such material breach within thirty (30) days from receipt of written notice describing the breach.

7.5 Remedy Upon Seller Default. In the event that this Agreement is terminated pursuant to Section 7.3 above, Buyer shall have the right to exercise any and all rights surviving such termination pursuant to Section 7.2.

7.6 Commitment Termination Event. In the event of a Commitment Termination Event, Buyer shall, as soon as practicable and in no event later than five (5) days after the occurrence of such Commitment Termination Event, pay Seller, in ***. "Commitment Termination Event" means (i) the failure by Buyer to purchase Modems in the amounts set forth in Section 1.1 ("Sale and Purchase") hereof pursuant to the schedule of payment and delivery set forth in Annex A (giving effect to any adjustments made in accordance with Section 1.3 hereof); (ii) termination of this Agreement by Buyer for any reason whatsoever other than pursuant to a breach by Seller of the provisions of Section 8.1 hereof (Product Warranty) or failure by Seller to make the scheduled deliveries in accordance with Section 1.7 hereof; (iii) any breach by Buyer

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of any representation, covenant or agreement on the part of Buyer set forth in this Agreement or (iv) Buyer's use of another CDPD modem vendor for the Palm III and Palm V during the term of this Agreement.

8. PRODUCT WARRANTY.

8.1 Product Warranty. The following Sections 8.l through 8.6 refer only to Product Warranty.

(a) Seller warrants (i) that all Modems, including components thereof, to be delivered hereunder, will conform to the Product Specifications, be free from defects in material and workmanship and (ii) that the "Modem Manager" software installed pursuant to Section 2.1 hereof shall be free from errors which materially affect performance. The foregoing warranty is given provided Buyer gives written notice of any defect, deficiency or non-conformance of any Modem, or parts thereof, within: (i) twelve (12) months from the shipment date to the end-user, or (ii) fifteen (15) months from the date the Modems are delivered to Buyer at the Novatel Distribution Facility (the "Warranty Period"). Seller shall, at no cost to Buyer, and within the "Turn-Around Time" as defined in Section 8.2(a) below, repair or furnish replacements for all such defective, deficient or non-conforming items or parts thereof; provided, however, the Modems have been maintained in accordance with Seller's specifications and have not been modified by any party other than Seller except as expressly permitted by Seller in writing.

(b) The foregoing warranties do not extend to:

(i) defects, errors or nonconformities in a Modem due to accident, abuse, misuse or negligent use of such Modem or use in other than a normal and customary manner, environmental conditions not conforming to Seller's specifications, or failure to follow prescribed operating maintenance procedures;

(ii) defects, errors or nonconformities in the Modem due to modifications, alterations, additions or changes in the Modem not made or authorized to be made by Seller in writing;

(iii) normal wear and tear; or

(iv) damage caused by force of nature or act of any third party.

8.2 Turn-Around Time.

(a) "Turn-Around Time" for the purposes of this Section 8 means fifteen (15) days from the date on which such defective item, or defective or non-conforming part thereof, is furnished to Seller, for repair or replacement until the date on which such replaced or repaired item is returned to Buyer.

(b) Seller shall bear air shipment costs of the deficient, repaired or replaced item as well as the risk or loss or damage to the item or its replacement throughout the period between the shipment of the defective item and the receipt of the repaired or replaced

item. Repaired or replaced items shall be subject to the warranty provided on the original Modem only (the time during which Seller repairs or replaces the item shall not be considered as part of the Warranty Period), in accordance with this Section 8. Notwithstanding the foregoing, Buyer shall bear all expenses if no fault on the part of Seller was found in the items returned for repair or replacement.

8.3 Extended Warranty. In the event Buyer elects to offer an extended warranty, Buyer may, up to one (1) year after an order is received from an end-user, extend the Warranty Period at a cost of ***. Discounts in the cost of such extension of warranty may be negotiated between Seller and Buyer, based on the number of the Modems on which Buyer elects to extend the Warranty Period.

8.4 Inspection; Acceptance. This warranty shall survive inspection, acceptance or payments by Buyer and is provided for the sole and exclusive benefit of Buyer and shall not extend to any third party, including without limitation, any reseller or end-user.

8.5 Exclusive Remedy. The warranty granted in this Section 8 sets forth Buyer's sole and exclusive remedy and Seller's sole and exclusive liability for any claim of warranty for any product delivered by Seller.

8.6 No Authority. Buyer acknowledges that it is not authorized to make any warranty or representation on behalf of Seller or its suppliers regarding the Modems, whether express or implied, other than the warranty terms set forth in this Section 8.

8.7 No Other Warranty. THE WARRANTY MADE UNDER THIS SECTION 8 IS EXPRESSLY IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, ALL IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

9. PATENT INDEMNITY.

9.1 Patent Indemnity. Seller shall, at its sole cost and expense, indemnify, defend and hold Buyer harmless from and against any claims, demands, liability or suit, including costs and expenses, for or by reason of any actual or alleged infringement of any third party patent, trademark or copyright resulting from the design, development, manufacture, use, sale or disposal of any Modem or Deliverable Items furnished hereunder. Buyer shall promptly notify Seller in writing of any such infringement claim after Buyer becomes aware of such claim, and shall provide Seller with such assistance and cooperation as Seller may reasonably request from time to time in connection with the defense thereof. In the event Buyer determines that Seller is unable or unwilling to defend the claim, Buyer may assume control of the defense of any infringement claim; provided that under such circumstances Buyer shall bear all costs of such defense (but not of any consequent judgment or liability). If any settlement requires an affirmative obligation of, results in any ongoing liability to, or prejudices or detrimentally impacts in any way, Buyer, then such settlement shall require Buyer's written consent.

9.2 Right to Substitute. Should Buyer be prevented as a result of such claims, actions or suits regarding infringement, from utilizing the Modems or Deliverable Items in

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question, or if Seller believes such a claim is likely, then Seller shall, at Seller's expense, either substitute an equivalent non-infringing item, or modify the item so that same no longer infringes but remains equivalent, or obtain (at its own expense) for Buyer the right to continue use of the item in accordance with the terms of this Agreement.

9.3 Procedure. Seller's obligation to indemnify will be subject to the following terms and conditions:

(a) The obligation will arise only if Seller receives prompt written notice of the infringement claim.

(b) The obligation will not cover any claim that the Modems infringe any third party's rights only as used in combination with any software or hardware not supplied by Seller, if that claim could have been avoided by the use of the Modems in combination with equivalent other available software or hardware.

10. LIMITATION OF LIABILITY.

SELLER SHALL NOT BE LIABLE FOR ANY SPECIAL, INCIDENTAL, CONSEQUENTIAL, INDIRECT OR PUNITIVE DAMAGES (INCLUDING LOST REVENUES OR PROFITS) OF ANY KIND DUE TO ANY CAUSE, REGARDLESS OF WHETHER SELLER HAS BEEN ADVISED OR IS AWARE OF THE POSSIBILITY OF SUCH DAMAGES.

11. POST WARRANTY OBLIGATIONS.

11.1 Support. Seller agrees that for the term of this Agreement, plus the Warranty Period, it will retain a staff of technical personnel in connection with the design, manufacture and trouble-shooting of the Modems and Deliverable Items supplied under this Agreement. This staff will be available to render technical assistance to Buyer upon Buyer's reasonable request regarding the Modems or a Deliverable Item and will provide such assistance as may be reasonably required to support systems integration, system debug, basic parameter changes in the Modems, modification of the Modems, upgrades in the Modems, and customer and production support in accordance with the provisions of Section 6.

11.2 Repair. During the term of this Agreement, in the event that Buyer requires repair of the Modems, or any part thereof, after the date of completion of Seller's warranty obligations under this Agreement, Seller will perform such repairs on terms at and prices in accordance with its standard support and maintenance fees, or at a fair and reasonable prices if standard fees have not been set.

11.3 Spare Parts. Seller undertakes, for a period of five years after the completion Seller's warranty obligations under this Agreement, to supply Buyer with spare parts for the Modems and the Deliverable Items as Buyer may reasonably request from time to time, at prices that are fair and reasonable, considering prevailing market prices at the time said items are ordered.

12. FORCE MAJEURE.

12.1 Events of Force Majeure. Neither party shall be liable for a default or delay in the performance under this Agreement if and to the extent such default or delay is caused, directly or indirectly, by (i) fire, flood, natural disturbances or other acts of God; (ii) any outbreak or escalation of hostilities, war, civil commotion, riot or insurrection; (iii) any act or omission of the other party or any governmental authority or (iv) any other similar causes beyond the control of such party that arise without the fault or negligence of such party. Any delay resulting from such events shall be referred to herein as a "Force Majeure," shall not constitute a default by such party under this Agreement and shall entitle the delayed party to a corresponding extension of its delayed obligation. The party whose performance will be delayed by such events will use its best efforts to notify the other party within three (3) days after delayed party becomes aware of such event, as well as the cessation thereof.

12.2 Subcontractor's Default. Any delays in performance by Seller's subcontractors or suppliers shall be deemed excusable delays with respect to Seller only if (i) such subcontractor's non-performance is caused by Force Majeure and (ii) Seller could not have obtained the supplies or services of such subcontractor from other sources in sufficient time and on customary terms to prevent interruption of Seller's performance of this Agreement.

12.3 Termination.

(a) If Force Majeure results in a delay to make any scheduled delivery under this Agreement by more than sixty (60) days, Buyer may terminate this Agreement in whole or in part and such termination shall not be deemed a breach of this Agreement.

(b) If Buyer does not terminate within such sixty (60) day period, and the Force Majeure prevails for further forty-five (45) days, Buyer may terminate this Agreement, but it shall have no right to claim damages from Seller for breach of the Agreement. The foregoing expresses Buyer's sole remedy and Seller's sole liability for such termination resulting from Force Majeure.

13. MISCELLANEOUS.

13.1 Confidentiality of Agreement; Permitted Disclosures. Throughout the term of this Agreement, each party agrees that the terms of this Agreement shall be kept confidential. No disclosure of the identity of Buyer's customers or end-users or other information concerning this Agreement shall be released by Seller without the prior written consent of Buyer except (i) in Seller's or Buyer's communication with its respective shareholders, investors or potential investors, and (ii) as to such advertising or other marketing in which Seller may engage in the ordinary course of business.

13.2 Required Disclosures; Advertising. Notwithstanding Section 13.1 above:

(a) Each party may divulge information hereunder as is reasonably required for the performance of the Agreement or as is required by law; and

(b) Each party shall have the right to list the other party as a customer or supplier (as the case may be) in its advertising material.

13.3 Confidential Information.

(a) In performance of this Agreement, it may be necessary or desirable for either party to disclose to the other certain business and/or technical information which the disclosing party regards as proprietary and confidential (the "Confidential Information"). Any Confidential Information disclosed shall be reduced to writing and provided to the other party within twenty (20) days after it was first disclosed. Each of the parties hereto agree that it shall (i) not make use of or disclose the Confidential Information for any purpose whatsoever at any time, other than for the purposes of this Agreement and (ii) limit access to the Confidential Information of the other party to its employees who shall be advised of and agree to be subject to the terms of this Section 13.3.

(b) Nothing herein shall be construed as granting to either party, by implication, estoppel or otherwise, any right, title or interest in, or any license under, any patent or Confidential Information.

(c) Items shall not be considered Confidential Information if such information was (i) available to the public other than by a breach of an agreement with the disclosing party; (ii) rightfully received from a third party not in breach of any obligation of confidentiality; (iii) independently developed by one party without access to the Confidential Information of the other; (iv) known to the recipient at the time of disclosure; or (v) produced in compliance with applicable law or a court order, provided that other party is given reasonable notice of such law or order and an opportunity to attempt to preclude or limit such production.

13.4 Severability. If any provision of this Agreement shall be held illegal or unenforceable, that provision shall be limited or eliminated to the minimum extent necessary so that this Agreement shall otherwise remain in full force and effect and enforceable.

13.5 Assignment. Neither Seller nor Buyer may assign this Agreement in whole or in part, or any rights hereunder without the prior written consent of the other, except to (i) a wholly-owned subsidiary of such party, (ii) a successor in interest of all or substantially all of such party's assets or business or (iii) a bank trust company or other financial institution for money due or to become due under this Agreement. In the event of any assignment, the assigning party shall promptly supply the other party with two (2) copies of such assignment and, in the instance of an assignment pursuant to this Section 13.5, shall indicate on each invoice to whom payment is to be made. In the event of any assignment pursuant to this Section 13.5, the assigning party also shall provide a written guarantee by such party of the obligations assigned to such party's subsidiary.

13.6 Relations of the Parties. Nothing in this Agreement shall be construed as creating relationship of principal and agent or of employer and employee between the parties. Furthermore, nothing in this Agreement is intended to constitute, create, give effect to or otherwise contemplate a joint venture, partnership or formal business entity of any kind. The rights and obligations of the parties with respect to this Agreement shall not be construed as

providing for sharing of profits or losses arising out of the effort of either of the parties. The parties shall not incur any liability on behalf of the other.

13.7 Waiver. No waiver by either Seller or Buyer of any breach of this Agreement shall be held to be a waiver of any other subsequent breach. No waiver or time extension given by either Seller or Buyer shall have effect unless made expressly and in writing.

13.8 Applicable Law. This Agreement and all matters regarding the interpretation and/or enforcement hereof, shall be governed exclusively by the law of the State of California without reference to its choice of law rules.

13.9 Arbitration. Any dispute arising out of or in connection with this Agreement, including any question regarding its breach, validity or termination, or the transactions contemplated hereby, including any dispute based in whole or in part on tort or other non-contractual principles of law, shall be fully and finally resolved and settled by arbitration under the Rules of the American Arbitration Association for Commercial Disputes (the "Rules") (as modified by this Section 13.9). The number of arbitrators shall be one (1) if all parties to the dispute agree on the arbitrator. If there is a disagreement on selection of a sole arbitrator, the number of arbitrators then shall be three (3), with the arbitrators to be appointed in accordance with the Rules from a panel of arbitrators in San Diego, California. The place of arbitration shall be San Diego, California or such other place as the parties to the dispute shall mutually agree upon in writing. The arbitration proceedings shall state the reasons for the award. Judgment upon the award rendered by the arbitrator or arbitrators may be entered in any court having jurisdiction thereof, and shall be binding on the parties hereto. The costs of arbitration, including reasonable legal fees and costs, shall be borne by either or both of the parties in whatever proportion as the arbitrator or arbitrators may award. This Section 13.9 shall not apply to actions seeking enforcement of this Agreement to arbitrate or to enforce Section 2.2 ("Seller's Trademarks"), Section 2.3 ("Buyer's Trademarks"), Section 13.1 ("Confidentiality") or Section 13.3 ("Confidential Information") hereof or with respect to any request for provisional or interim relief brought prior to the appointment of an arbitrator.

The dispute resolution proceedings contemplated by this provision shall be as confidential and private as permitted by law. To that end, the parties shall not disclose the existence, content or results of any claims hereunder or proceedings conducted in accordance with this provision, and materials submitted in connection with such proceedings shall not be admissible in any other proceeding; provided, however, that this confidentiality provision shall not prevent a petition to vacate or enforce an arbitration award, and shall not bar disclosures required by law. The parties hereto agree that any decision or award resulting from proceedings in accordance with this dispute resolution provision shall have no preclusive effect in any other matter involving third parties.

13.10 Entire Agreement. This Agreement constitutes the entire agreement between the parties, supersedes and cancels any previous understandings or agreements between all the parties relating to the provisions hereof, and expresses the complete and final understanding of the parties in respect thereto. This Agreement may not be changed, modified, amended or supplemented except by a written instrument signed by the parties.

13.11 Notices. Any notice contemplated by or made pursuant to this Agreement shall be in writing and shall be deemed delivered on the date of delivery if delivered personally or by commercial overnight courier with tracking capabilities or by fax, or five (5) days after mailing if placed in the mail, postage prepaid, registered or certified mail, return receipt requested, addressed to Buyer or Seller (as the case may be) as follows:

Seller:	Novatel Wireless, Inc. 9360 Towne Centre Drive Suite 110 San Diego, CA 92121 Attn: Chief Executive Officer Fax: (858) 784-0626
Buyer:	OpenSky Corporation 471 Emerson Street, Suite 200 Palo Alto, CA 94301 Attn: Chief Executive Officer Fax: (650) 561-9968

or such other address as each party may designate for itself by notice given in accordance with this Section 13.11.

13.12 Headings. The headings in this Agreement are for convenience only and shall not be regarded in the interpretation hereof.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement to be effective as of the Effective Date written above.

SELLER: NOVATEL WIRELESS, INC.

By: /s/

Name: Bruce Gray
Title: Vice President -- Sales/Marketing

BUYER: OPENSKY CORPORATION

By: /s/

Name: Michael Dolbec
Title: Vice President -- Business Development

Annex A

SCHEDULE OF PAYMENT AND DELIVERY

***

** Buyer shall pre-pay in full for any forecasted bi-monthly quantity 30 days prior to delivery into the Novatel Distribution Center in San Diego California subject to Sections 1.2 and 1.4 of this Agreement.

*Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

ANNEX B

ACCESSORY PRICING

		***	***
	***	***	***
	***	***	***
	***	***	***
	***	***	***
	***	***	***

***

ANNEX C

TECHNICAL SUPPORT

Technical Support for the Minstrel III and Minstrel V products delivered to OpenSky customers will be managed via a three-tier Technical Support infrastructure and process as follows:

LEVEL I TECHNICAL SUPPORT

Level I Technical Support will be provided by OpenSky to their direct and indirect customers. Level I Support is defined as calls* originating from OpenSky customers, resellers or distributors regarding Palm Products, OpenSky Service, Wireless Service Providers, Minstrel III or Minstrel V products including but not limited to pre and post sale inquiries concerning the basic operation of the hardware and software, functionality, interoperability and capabilities of those products and services.

For calls regarding the Minstrel III and Minstrel V products, OpenSky will make every attempt to answer customer questions and resolve issues using available tools, documentation, test equipment and other materials used to support the Minstrel III and Minstrel V products (see training section below). If the customer question/issue regarding the Minstrel III or Minstrel V product cannot be resolved by OpenSky support personnel to the customers' satisfaction, the issue will be forwarded to Novatel Wireless Level II Technical Support for further investigation and resolution.

*Calls include phone calls, e-mail, web-based inquiries, faxes and letters.

LEVEL II TECHNICAL SUPPORT

Level II Technical Support will be provided by Novatel Wireless support staff directly to OpenSky Level I Support personnel to assist in the resolution of open customer issues that have not been resolved to the satisfaction of OpenSky customers during a Level I Support call. OpenSky will have direct access to designated support staff within the Novatel Wireless support organization for this purpose. A direct line of communication between the two organizations will be established and Novatel Wireless support technicians will be available during normal OpenSky technical support operation hours to assist in

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resolution of customer problems. Novatel Wireless support engineering will work directly with OpenSky support staff to resolve issues and answer questions, this may require OpenSky support staff to gather additional information and provide system information or test results back to Novatel support staff to aid in the definition and resolution of the problem. It will be OpenSky support staff's responsibility to communicate directly with the end-user customer. Problems that are not resolved within three business days or problems that are flagged as sensitive/mission critical will be escalated to Level III Technical Support for final resolution.

LEVEL III TECHNICAL SUPPORT (ESCALATION)

Level III Technical Support will be provided by the Novatel Wireless support and system engineering staff to resolve issues that cannot be satisfactorily resolved by Level I and Level II Support personnel. Level III Technical Support will handle all OpenSky product escalations issues including unresolved support calls and will work directly with Novatel Wireless engineering staff to resolve those issues.

TECHNICAL SUPPORT TRAINING

Technical Support training and documentation for the Minstrel III and Minstrel V will be provided to OpenSky Level I Support staff by Novatel Wireless. OpenSky support staff will receive training on the general use, functionality, operation and compatibility of the Minstrel III and Minstrel V products. In addition, all support related documentation, training materials, notes, FAQ's, and web based support materials will be made available to OpenSky for their use in supporting these products.

FIRST AMENDMENT TO SUPPLY AGREEMENT

This First Amendment to Supply Agreement (this "Amendment") is made as of October ___, 1999 by and among Novatel Wireless, Inc., a Delaware corporation ("Novatel") and OpenSky Corporation, a Delaware corporation ("OpenSky").

WHEREAS, Novatel and OpenSky entered into that certain Supply Agreement, dated and effective as of August 12, 1999 (the "Supply Agreement"); and

WHEREAS, pursuant to Section 13.10 of the Supply Agreement, Novatel and OpenSky desire to amend certain terms and provisions of the Supply Agreement;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the parties hereto agree as follows (all capitalized terms not otherwise defined herein shall have the meanings therefor set forth in the Supply Agreement):

1. Pursuant to Section 1.3, OpenSky hereby changes the Mix and delivery schedule in accordance with Exhibit A hereto.

2. Section 1.2 is amended in its entirety to read as follows:

> "1.2 Payments. Buyer shall make payments due to Seller for Deliverable Items either directly to Seller or to such bank as Seller may designate in writing. Payments for Modems shall be due and payable in full, in cash, by Buyer thirty (30) days prior to each scheduled delivery of Modems into Seller's Distribution Facility in San Diego, California (the "Novatel Distribution Facility") with respect to any delivery scheduled in Annex A to be made on or before December 31, 1999. Payments for Modems shall be due and payable in full, in cash, by Buyer within thirty (30) days following the date of each scheduled delivery of Modems into the Novatel Distribution Facility with respect to any delivery scheduled in Annex A to be made on or after January 1, 2000. Each delivery of specification compliant Modems in accordance with Annex D for which a pre-payment by Buyer has been received may not be canceled. Payments for Deliverable Items (other than Modems), shall be due and payable in full, in cash, by Buyer within thirty (30) days following the date of shipment to end-users on behalf of Buyer. For purposes of this Agreement, "Deliverable Items" shall mean any item, or parts thereof, that Seller is obligated to provide under this Agreement including but not limited to Modems, documentation, know-how and information. Payment for shipping and configuration and activation shall be due and payable in full, in cash, as set forth in Sections 1.8 and 2.1, respectively."

3. Section 1.7 is amended in its entirety to read as follows:

> "1.7 Delivery and Title. The Modems sold to Buyer shall be delivered to the Novatel Distribution Facility in accordance to the delivery schedule set forth in Annex A. Title and risk of loss in the Modems shall transfer to Buyer FOB Manufacturer, as determined by Seller. Seller shall warehouse the inventory on behalf of Buyer and ship to end-users the Modems on behalf of Buyer from the Novatel Distribution Facility in accordance with Section 1.8 below. Subject to Section 8 below, all Modems delivered to Buyer shall be non-returnable."

4. Section 1.8.1 is amended by deleting the date "March 1, 2000" in the first sentence and replacing it with the date "May 1, 2000", so that the Shipping Period ends on May 1, 2000.

5. Section 7.1 is amended by deleting the date "April 1, 2000" in the first sentence and replacing it with the date "May 1, 2000", so that the term of the Supply Agreement ends on May 1, 2000.

6. In all other respects, the Supply Agreement, as herein amended, shall remain in full force and effect, including Section 1.3 of the Supply Agreement without giving effect to this Amendment. Subject to the foregoing, to the extent that any provisions of the Supply Agreement and any provisions of this Amendment are in conflict, the provisions of this Amendment shall govern. In the event any one or more of the provisions contained in this Amendment or any instrument entered into in connection herewith is for any reason held to be invalid or unenforceable in any respect, that event shall not affect any other provision of this Amendment or such other instrument.

7. This Amendment shall be governed by, and construed and enforced in accordance with, the substantive laws of the State of California, without regard to its principles of conflicts of laws.

8. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, legal representatives and heirs.

9. This Amendment may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which take together shall constitute one and the same instrument.

IN WITNESS WHEREOF, this Amendment has been duly executed as of the date first written above.

NOVATEL WIRELESS, INC.
/s/

By:

Its:

OPENSKY CORPORATION

/s/

By:

Its:

EXHIBIT A

SCHEDULE OF PAYMENT AND DELIVERY

***

** Buyer shall pre-pay in full for any forecasted bi-monthly quantity 30 days prior to delivery into the Novatel Distribution Facility in Calgary, Canada with respect to any shipments scheduled for delivery on or before December 31, 1999 in accordance with Sections 1.2 and 1.4 of this Agreement.

*Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

ANNEX D

PRODUCT SPECIFICATIONS

DESCRIPTION

***

DIMENSIONS

***

MODEM FEATURES

***

BUILT-IN FEATURES

***

POWER SUPPLY

***

TEMPERATURES

***

POWER REQUIREMENTS

***

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EXHIBIT 10.13

SANMINA CANADA ULC
AGREEMENT FOR
ELECTRONIC MANUFACTURING SERVICES

THIS AGREEMENT made as of this 3rd day of September, 1999 between SANMINA CANADA ULC, having offices at Calgary, Alberta, Canada ("Sanmina") and NOVATEL WIRELESS INC., having offices at Suite 110, 9360 Towne Center Drive, San Diego, California, U.S.A. 92121 ("Customer").

FOR AND IN CONSIDERATION of the mutual covenants of the parties hereto, the parties hereby agree as follows:

ARTICLE 1
TERM

1.1 This Agreement shall be in effect for a term of twenty-four (24) months, commencing upon the date of this Agreement (the "Term"). Unless the parties agree in writing to extend such Term for an additional period prior to the termination of the Term, this Agreement shall terminate upon the expiry of the said Term.

ARTICLE 2
SCOPE OF SERVICES

2.1 Customer hereby retains Sanmina and Sanmina hereby agrees to provide to Customer during the Term manufacturing and delivery services in respect of electronic products or assemblies, as more particularly identified in Exhibit "A" hereto (collectively, the "Products"). Sanmina and Customer shall mutually agree in writing upon the delivery schedule(s) applicable to the Products.

2.2 Sanmina shall purchase all components necessary for the manufacture by it of the Products in accordance with a vendor list approved by Sanmina and Customer (the "AVL"), which approval shall occur as of or as soon as practicable following the date of execution hereof. In the event Sanmina cannot purchase a component from a vendor on the AVL for any reason, Sanmina may purchase such components from an alternate vendor, subject to the prior written consent of Customer, which consent shall not be unduly withheld or delayed.

ARTICLE 3
PLANNING AND PROCUREMENT PROCESS

3.1 Upon the date of execution of this Agreement and thereafter on the first business day of each month of the Term, except for the last three (3) months of the Term, Customer shall provide Sanmina with firm purchase orders covering a minimum period of three (3) months (each, a "Purchase Order").

3.2 Upon the dates on which Customer provides Sanmina with the Purchase Orders pursuant to Section 3.1, Customer also shall deliver to Sanmina a forecast (each, a "Forecast") covering the nine (9) month period immediately following the applicable three (3)month Purchase Order

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period. It is understood that each Forecast is delivered by Customer to Sanmina for information purposes only and cannot be relied upon by Sanmina, save and except in respect of Sanmina's procurement activities in order to fulfill its obligations herein and, in such respect, Customer's liability in respect of each Forecast is limited in accordance with Article 4 below.

3.3 Upon the basis of the Purchase Orders and Forecasts referred to in Sections 3.1 and 3.2, Sanmina shall develop and deliver to Customer a master production schedule ("MPS") for a *** period as follows:

(a) the MPS will define the master plan upon which Sanmina will base its procurement activities, internal capacity projections and commitments to Customer hereunder;

(b) Sanmina will use the Purchase Orders referred to in Section 3.1 to generate the *** of the MPS; and

(c) Sanmina will use the Forecasts referred to in Section 3.2 to generate the following *** of the MPS.

It is understood and agreed that the MPS shall be generated by Sanmina for information purposes only and that neither party shall rely upon the MPS, save and except in respect of Sanmina's procurement activities in order to fulfill its obligations herein and, in such respect, Sanmina's liability in respect of each MPS shall be limited in accordance with Article 4 below.

3.4 Sanmina will develop the MPS through industry-standard MRP software that will convert the MPS reflecting Customer's Purchase Orders and Forecasts into requirements for the components to develop the necessary Products. In so developing the MPS, Sanmina will allow for the following times required to develop the Products:

(a) In-Circuit Testing/Functional Testing - ***;

(b) Assembly- ***;

(c) Kitting - ***;

(d) Material Handling- ***; and

(e) Sanmina shall plan and schedule for materials to be at its facilities *** business days before the Products are due to be delivered to Customer in the event no testing is required, and *** business days before the Products are due to Customer in the event testing is required.

3.5 Sanmina will place orders to suppliers of materials and components within a reasonable period prior to the anticipated date that the same are needed and in accordance with the provisions of Section 3.4. The actual date of placement by it of an order by Sanmina will depend upon the lead time that Sanmina reasonably determines to be necessary from time to time.

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3.6 Through its "MRP System", Sanmina will issue an instruction ("MRP Signal") to its procurement department to purchase or procure a component approximately seven (7) days before it places an order with materials suppliers in accordance with Section 3.5.

3.7 When Sanmina places an order with materials suppliers pursuant to Section 3.5, it will order components in various quantities (defined in periods-worth-of-supply) as defined by the "ABC Classification" for each component (the "Classification"). The Classification, together with the expected distribution or characteristics of various classes of components, and the applicable periods-worth-of-supply ("Periods-of-Supply") that will be bought for each class of component is shown on the table below:

ABC Classifications, Descriptions and Periods-of-Supply

Part Class	Expected Percentage of Total Components	Expected Percentage of Total Value (of Gross Requirements)	Periods Worth of Supply to be Bought with Each Order
A	***	***	***
B	***	***	***
C	***	***	***

3.8 In addition to ordering components for various Periods-of-Supply, Sanmina will order components according to various minimum-buy quantities, tape and reel quantities, and multiples of packaging quantities.

3.9 The costs of the components Sanmina purchases or orders in order to fulfill each Purchase Order and the related Forecast as set forth in Article 4 and any associated expenses related to such purchasing, ordering, manufacturing (labor and overhead), shipping, storing and eliminating by Sanmina of any such components, plus a cost-of-money mark-up equal to *** to be applied for the duration of Sanmina ownership of the materials, in favor of Sanmina, shall constitute the aggregate consideration payable by Customer to Sanmina in respect of the services rendered by Sanmina pursuant hereto ("Total Liability").

3.10 Notwithstanding any provision hereof including, without limitation, Section 3.9, Customer shall be liable for any and all taxes, customs duties, withholding, assessments or levies arising from time to time or at any time in respect of the services provided by Sanmina to Customer pursuant to and in respect of the transfer, sale, delivery and use of the Products, save and except that Sanmina shall be responsible for any and all taxes arising on or measured by its net income or gain.

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ARTICLE 4
LIABILITIES FOR COMPONENTS

4.1 In the event of cancellation or decrease in a Purchase Order pursuant to Section 5.2, Customer's liability for costs of components that Sanmina has procured pursuant hereto, up to the limit of Customer's forecast, is as follows:

(a) for costs of components that Sanmina has ordered pursuant hereto and cannot cancel prior to receipt (including components that may not be cancellable by virtue of having insufficient time between the MRP Signal to cancel and the expected or real receipt date by Sanmina);

(b) for Sanmina's costs of components that Sanmina has ordered pursuant hereto and cannot return to the suppliers where the value of the parts exceeds USD. *** in total, and where Sanmina has made reasonable efforts to return the components; and

(c) for Sanmina's costs of components that are in aggregate worth less than USD. *** in total and where Sanmina is not required to attempt to return same to the suppliers.

4.2 In the event Sanmina is able to return components by paying re-stocking fees or other fees, ***.

4.3 With Customer's prior written consent (not to be unreasonably withheld or delayed), Sanmina shall purchase tools that it may require in order to fulfill the Purchase Orders and Forecasts. The costs of same shall be borne by Customer. Title in and to all such tooling purchased by Sanmina shall vest in Customer, and Sanmina shall deliver to Customer possession of such tooling in the same condition as when received by Sanmina (ordinary wear and tear excepted) upon the earlier of the completion of the relevant Purchase Order or the termination of this Agreement.

4.4 Customer's liability for the costs of components referred to in this Article 4 will be at the ***.

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ARTICLE 5
RESCHEDULING

5.1 Customer at any time may reschedule the delivery dates of any of the Products, subject to the following:

WRITTEN NOTICE BY CUSTOMER TO SANMINA PRIOR TO ORIGINAL DELIVERY DATE	PERCENTAGE OF ORIGINAL QUANTITY OF PRODUCTS THAT CAN BE RESCHEDULED FOR DELIVERY
***	***
***	***
***	***
***	***

As an example, if Customer notifies Sanmina in writing between thirty-one (31) and sixty (60) days prior to the scheduled delivery date of the Products, a maximum of *** of the total amount of the Products to be delivered on such date may be rescheduled for delivery by Sanmina.

5.2 In the event Customer shall require decreased quantities of Products from those originally scheduled for delivery at a specific date, Sanmina and Customer, each acting reasonably and in good faith, shall agree upon a rescheduled delivery date for the decreased quantities of Products within forth-five (45) days of the original delivery date.

5.3 In the event Customer shall require an increase of quantities of Products from those originally scheduled for delivery at a specific date, then Customer shall notify Sanmina in writing at least thirty (30) days prior to the original scheduled delivery date and Sanmina, on a reasonable commercial efforts basis, will attempt to accommodate such increase.

5.4 If the Customer changes the delivery dates of any Product by a period exceeding ninety (90) days in the aggregate, and if such change results in additional expenses to Sanmina to store such Products or to acquire additional components, such additional expenses shall be borne by Customer.

ARTICLE 6
REVISIONS

6.1 In the event Customer requests an engineering change to a Product, which change shall be requested within a reasonable period prior to scheduled delivery, Sanmina shall notify Customer of any impact on the costs and/or scheduled delivery of such Products within five (5) business days of the receipt of Customer's request. Unless Customer consents to such revisions of costs and/or delivery by notice in writing within two (2) business days of receipt of Sanmina's notification, the requested engineering change shall be deemed cancelled. Any increases in the costs of Products resulting from any such engineering change order ("ECO") shall be borne by

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Customer. Any decreases in the costs of Products resulting from any such engineering change order shall result in a commensurate price reduction by Sanmina. The costs of components made obsolete or components purchased by Sanmina in excess as a result of any such ECO shall be borne by Customer. A USD. *** administrative fee per ECO also shall be borne by *** to partially cover ***.

ARTICLE 7
CANCELLATIONS

7.1 Customer may cancel any Purchase Order by notifying Sanmina in writing at least ninety (90) days prior to the scheduled delivery date. Within thirty (30) days of such cancellation, Sanmina shall provide Customer with a written calculation of Customer's total costs related to such cancelled order. Customer shall pay such costs to Sanmina within thirty (30) days of the receipt of such calculation. Upon receipt of payment for same, Sanmina shall deliver to Customer, at Customer's expense, any components purchased but unused as a result of such cancellation or shall scrap such components, at the direction of the Customer as specified in the cancellation notice.

ARTICLE 8
PRICING

8.1 The prices for the Products manufactured and delivered by Sanmina pursuant hereto are set forth in Exhibit "A" hereto and shall remain fixed for the Term, with the following exceptions:

(a) in respect of an ECO, the provisions of Section 6.1 shall apply;

(b) in respect of any rescheduling of delivery, the terms of Article 5 shall apply; and

(c) material variations on the market prices of components shall be applied to all Products' prices.

8.2 Quarterly Cost Reviews

Sanmina and Customer shall meet quarterly, starting three (3) months after the date of this Agreement, to review the materials and process costs of the Products. Where differences greater than 0.5 percent of the Product price shown in Exhibit A are achievable, Sanmina and Customer agree to adjust the price effective on the date that the changes are (or will be) implemented.

ARTICLE 9
DELIVERY

9.1

(a) Sanmina will deliver products on time, defined as shipment according to the delivery dates Sanmina commits; or if Sanmina has not made a specific commitment, to the date(s) identified on the Purchase Order within a window of five (5) business days early and two (2) business days late.

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(b) Delivery of all Products by Sanmina to Customer shall be F.O.B. Sanmina's plant located at the address specified in Exhibit "A" ("Delivery Point"), at which location risk of loss and title to the Products shall be transferred by Sanmina to Customer. Products held or stored by Sanmina at the Delivery Point or any other location after the scheduled or rescheduled delivery date of such Product, shall be held or stored at the sole risk and expense of Customer.

(c) Unless otherwise specified by Customer, Sanmina shall transport the Products to Customer by such mode or modes of transportation as Sanmina reasonably determines, to Customer's address or an address specified in writing by Customer. All packaging, freight, insurance and other shipping expenses from the Delivery Point shall be borne by Customer. When special packaging is requested or, in the reasonable opinion of Sanmina, is required, the additional costs related to such special packaging shall also be borne by Customer.

ARTICLE 10
PAYMENT AND INVOICING

10.1 Payment terms will be net thirty (30) days from each invoice date. Sanmina will provide Customer with a credit limit to be determined by Sanmina, acting reasonably, on or by the date of execution hereof. In the event Customer exceeds such credit limit or amounts remain due and owing on any invoices for more than sixty (60) days, Sanmina may stop shipments of Products to Customer until Customer makes full payment upon such invoices. Sanmina further may reduce the credit limit upon written notice to the Customer. Any and all overdue payments over thirty (30) days shall bear interest at the rate of *** until paid in full.

ARTICLE 11
WARRANTY

11.1 Sanmina expressly warrants that each Product (excluding components purchased from third-party vendors ("Vendor Components")) shall be free from any defects in workmanship for a period of one (1) year from the date of manufacture of such Product by Sanmina. Warranties on any Vendor Components are limited to the warranties provided by the component manufacturers or Vendors. Sanmina will use reasonable commercial efforts to make all warranties of its parts suppliers assignable to the Customer. Sanmina shall pass on any unexpired assignable warranties for any such Vendor Components to Customer until the expiration of such warranties or up to a maximum of one (1) year from the date of manufacture of the Product by Sanmina, whichever period is lesser. As Customer's sole remedy under this Section 11.1 warranty, Sanmina will, at no charge, rework, repair and retest any Product returned to Sanmina and found to contain such defects in workmanship caused by Sanmina. Warranty coverage does not include failures due to Customer design errors, improper or defective parts or materials used by Customer, Customer-requested changes to the parts or materials, damages caused by Customer's misuse, unauthorized repair or negligence. Sanmina does not assume any liability for expendable items such as lamps and fuses. Sanmina reserves the right to inspect the Products and verify that they are defective and, in the event Sanmina, acting reasonably, determines they are not so defective, costs of any inspection, testing or transportation of Products to and from Sanmina's facilities shall be borne by Customer. Sanmina's total liability under this

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Article 11 shall be limited to the price of the Product supplied under this Agreement, as given in Exhibit A and amendments thereto.

The warranty afforded under this Article 11 also is limited to items, parts and defects that are within the capability of existing test equipment and Sanmina's programs and processes.

The performance of any repair or replacement by Sanmina does not extend the warranty period for any Products beyond the period applicable to the Product as originally delivered pursuant hereto.

EXCEPT FOR THE ABOVE EXPRESS WARRANTIES CONTAINED IN ARTICLE 11 AND ARTICLE 13, SANMINA EXPRESSLY DISCLAIMS AND MAKES NO WARRANTIES, GUARANTEES OR REPRESENTATIONS OF ANY KIND WHATSOEVER WITH RESPECT TO THE CONDITION OF THE PRODUCTS OR ANY PARTS OR COMPONENTS THEREOF, EITHER EXPRESS OR IMPLIED, ARISING BY LAW, IN CONTRACT, TORT, EQUITY OR OTHERWISE, INCLUDING BUT NOT LIMITED TO ANY OBLIGATION OR LIABILITY OF SANMINA WITH RESPECT TO ANY WARRANTY AS TO FITNESS FOR USE, CONDITION, SERVICEABILITY, SUITABILITY, VALUE, DESIGN, OPERATION OR MERCHANTABILITY, AS THE CASE MAY BE, ANY IMPLIED WARRANTY ARISING BY STATUTE OR COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE.

ARTICLE 12
GENERAL INDEMNITY

12.1 Customer hereby indemnifies and saves harmless Sanmina, its parent and affiliate corporations and their respective directors, officers, employees, agents and servants from and against any and all actions, claims, losses, costs, liabilities or expenses (including court costs and the fees and costs of attorneys and other professionals) ("Claims") to the extent arising out of, or in connection with, in whole or in part, (A) infringements of any patents, trademarks, copyrights or other intellectual property by Customer, or (B) any negligence or willful misconduct in respect of the Products by Customer, its employees, agents and subcontractors, including but not limited to any such act or omission that contributes to: (i) any bodily injury, sickness, disease or death; (ii) any injury or destruction to tangible or intangible property of the injured party or any loss of use resulting therefrom; or (iii) any violation of any statute, ordinance or regulation.

12.2 Sanmina hereby indemnifies and saves harmless Customer, its parent and affiliate corporations and their respective directors, officers, employees, agents and servants from and against any and all actions, claims, losses, costs, liabilities or expenses (including court costs and the fees and costs of attorneys and other professionals) ("Claims") to the extent arising out of, or in connection with, in whole or in part, (A) infringements of any patents, trademarks, copyrights or other intellectual property of Sanmina, or (B) any negligence or willful misconduct in the manufacture of the Products by Sanmina, its employees, agents and subcontractors, including but not limited to any such act or omission that is the sole cause of: (i) bodily injury, sickness, disease or death; (ii) any injury or destruction to tangible or intangible property of the injured party or any loss of use resulting therefrom; or (iii) any violation of any statute, ordinance or regulation.

ARTICLE 13
QUALITY, INSPECTION AND REPORTING

13.1 Customer has the right at all reasonable times, upon reasonable advance written notice, to visit Sanmina's facilities and the Delivery Location to inspect the work being performed on the Products pursuant hereto, provided such inspection shall not unduly affect Sanmina's operations and provided Customer and its representatives shall be on Sanmina's facilities and the Delivery Location at Customer's sole risk. Inspection of the work by Customer shall not relieve Sanmina of any of its obligations under the Agreement or the Purchase Orders. Sanmina shall provide Customer with all mutually agreed upon quality reports at agreed upon intervals. Sanmina reserves the right to restrict Customer's access to its facilities or any area to protect confidential information of Sanmina or its other customers or third parties.

13.2 If Customer requests inspection of the Products prior to the delivery of such Products as a condition of acceptance of such Products, Customer shall inspect the Products within forty-eight (48) hours of transmission of written notice by facsimile from Sanmina informing Customer that the Products are ready to be shipped. If Customer does not inspect the Products within such forty-eight (48) hour period, Customer shall be deemed to have waived its rights to inspect the Products as a condition of acceptance of such Products.

13.3 Customer and Sanmina, at Customer's cost, will implement a joint quality improvement program that will develop and implement continuous quality improvement processes with respect to the Products.

13.4 Sanmina shall manufacture the Customer's products in accordance to an industry workmanship standard, agreed to by both parties. Unless otherwise specified by the Customer, Sanmina will manufacture the Customer's products as per ANSI/IPC-A-610, Revision B "Acceptability Of Electronic Assemblies", Class 2 "Dedicated Service Electronic Products".

13.5 If product manufactured by Sanmina is tested using equipment and fixtures supplied by the Customer, the Customer is responsible to ensure that the equipment and fixtures have been calibrated and maintained at a regular interval as recommended by the manufacturer, and that the equipment and fixtures are in proper operating condition. Calibration of equipment is to be performed by qualified, licensed individuals.

13.6 Sanmina is responsible for assuring that Products are delivered to Customer only after Products successfully complete the specified inspection and test processes. If the product is being tested using equipment, fixtures, and/or software provided by the Customer, Sanmina is not responsible for product functionality beyond that assured by the Customer provided test processes. Product testing is to be performed in accordance to product specifications and test procedures, agreed to by both parties.

13.7 Sanmina is not responsible for workmanship quality if a subassembly of the finished product is being manufactured by another EMS supplier that does not conform to the workmanship standard specified in Section 13.4.

ARTICLE 14
TERMINATION

14.1 If either party fails to meet one or more of the terms and conditions as stated in this Agreement or addenda, Sanmina and Customer agree to negotiate in good faith to resolve such default. If the defaulting party fails to cure such default or submit an acceptable written plan to resolve such default within thirty (30) days following notice of default, the nondefaulting party shall have the right to terminate this Agreement by furnishing the defaulting party within thirty (30) days written notice of termination.

This Agreement shall immediately terminate should either party; (i) become insolvent; (ii) enter into or file a petition, arraignment or proceeding seeking an order for relief under the bankruptcy laws of its respective jurisdiction; (iii) enter into a receivership of any of its assets or; (iv) enter into a dissolution of liquidation of its assets or an assignment for the benefit of its creditors.

14.2 Upon any such early termination caused by the Customer, Sanmina shall provide Customer with an invoice of the Customer's Total Liabilities as of the effective date of termination. In addition, the Customer shall be liable for all work-in-progress and any outstanding charges in respect of the Products, and shall receive all related stock, work-in-progress, and finished Products. Upon termination, Customer shall pay all invoiced charges net thirty (30) days. Upon any such early termination caused by Sanmina, Customer shall have the right to receive all related stock, work-in-progress, and finished Products at prices given in Exhibit A and amendments thereto, but Customer's liability shall be limited to paying for finished Products it receives, at prices given in Exhibit A and amendments thereto.

ARTICLE 15
CONFIDENTIALITY

Sanmina and Customer recognize that, for the term of this Agreement, it will be necessary to disclose to each other certain confidential information, and that each has a responsibility to protect such confidential information.

"Confidential Information" shall mean the confidential and proprietary information related to the design, manufacture, application, know-how, experimentation, research and development, components, hardware and software, contents, workings, data, installation and implementation of the systems or products of Customer and the business, manufacturing, inspection, and test processes of Sanmina. It is understood that Confidential Information shall not include:

(a) information which was in the public domain at the time of the disclosure, or

(b) information which, though originally Confidential Information, subsequently becomes part of the public knowledge or literature through no fault of the receiving party, as of the date of its becoming part of the public knowledge or literature, or

(c) information independently developed by employees or agents of the receiving party who the receiving party can show had no access to Confidential Information received under this Agreement, or

(d) is rightfully received from a third party without restriction on disclosure and without breach of this Agreement, or

(e) is disclosed pursuant to a requirement of a governmental agency or the disclosure of which is required by law, or

(f) is approved for release by written authorization of the disclosure party.

Sanmina and Customer mutually agree to hold each other's Confidential Information in strict confidence and not to disclose such Confidential Information to any third parties, nor use any Confidential Information for other than the purposes of carrying out their obligations under this Agreement. Sanmina and Customer may disclose each other's Confidential Information to their respective employees, but only to the extent necessary to carry out the purposes for which the Confidential Information was disclosed, and Sanmina and Customer agree to instruct all such employees to not disclose such Confidential Information to third parties without the prior written permission of the parties disclosing such Confidential Information.

Sanmina and Customer acknowledge that all Confidential Information shall be owned solely by the disclosing party and that the unauthorized disclosure or use of such Confidential Information could cause irreparable harm and significant injury which may be difficult to ascertain. Accordingly, Sanmina and Customer agree that the disclosing party shall have the right to seek an immediate injunction enjoining any breach of this Article.

Upon the written request of either party, the other party shall return to the disclosing party proof of destruction, or provide all data, plans, drawings, maskworks, computer files, or tangible items representing the other party's Confidential information and all copies thereof.

Sanmina and Customer recognize and agree that nothing in this Agreement shall be construed as granting any rights, license or otherwise, to any Confidential Information disclosed pursuant to this Agreement.

ARTICLE 16
NON-COMPETITION

During the Term of this Agreement, and in perpetuity thereafter, Sanmina shall not have the right to manufacture, anywhere in the world, products based on Customer designs exclusively owned by the Customer and/or other Customer intellectual property, other than the manufacture of products pursuant to this Agreement or based on Customer designs and/or other Customer intellectual property in respect of which title to or the right to use has been legally acquired by Sanmina or by a third party which engages Sanmina for the purposes of manufacturing the products.

ARTICLE 17
TIMELY DISCLOSURE

Sanmina agrees to promptly inform Customer if it becomes aware of any material threat to the uninterrupted production and delivery of the Products that may develop from time to time from

any cause whatsoever, regardless of whether the cause is attributable to events internal or external to Sanmina.

ARTICLE 18
MISCELLANEOUS

18.1 Governing Law. This Agreement will be governed by and interpreted under the laws of the Province of Alberta and the federal laws of Canada applicable thereto.

18.2 Jurisdiction. For any dispute arising out of this Agreement, the parties consent and attorn to the non-exclusive jurisdiction of the courts of Alberta.

18.3 Entire Agreement; Enforcement of Rights. This Agreement, including Exhibit A Pricing, Exhibit B Costed Bill of Materials, sets forth the entire agreement and understanding of the parties relating to the subject matter herein and merges all prior discussions and arrangements between them. No modification of or amendment of this Agreement, nor any waiver of any rights under this Agreement, will be effective unless in writing and duly executed by the parties. The failure by either party to enforce any rights thereunder will not be construed as a waiver of any rights of such party.

18.4 Assignment. Neither party shall assign its rights and obligations herein. The rights and liabilities of the parties hereto will bind and inure to the benefit of their respective successors.

18.5 Notices. Any required notices thereunder will be given in writing to the addresses set forth below, or at such other address as either party may substitute by written notice to the other in the manner contemplated herein, and will be deemed to be received when hand-delivered or delivered by facsimile:

If to Sanmina:

Sanmina Canada ULC
6751 - 9th Street, N.E.
Calgary, Alberta
Canada T2E 8R9.

If to Customer:

Novatel Wireless .Inc.	or	Novatel Wireless Technologies Ltd.
Suite 110, 9360 Towne Center Drive		Ste. 200, 6715 - 8th Street, N.E.
San Diego, CA		Calgary, Alberta
U.S.A. 92121		Canada T2E 7H7

18.6 Force Majeure. Neither party will be liable for any delay or failure in performance thereunder if such delay or failure is caused by an event beyond such party's reasonable control including, without limitation, acts or failures to act of the other party, strikes or labour disputes, component shortages, unavailability of transportation, floods, fires, governmental requirements and acts of God (each, a "Force Majeure Event"). In the event of a threatened or actual non-performance as a result of the above causes, the non-performing party will exercise

commercially reasonable efforts to avoid and cure such non-performance. Lack of funds shall not constitute a Force Majeure Event. Should a Force Majeure Event prevent a party's performance thereunder for a period in excess of ninety (90) days, then the other party may elect to terminate this Agreement by written notice.

18.7 Counterparts. This Agreement may be executed in two or more counterparts, each of which will be deemed an original and all of which together will constitute one and the same instrument.

SANMINA CANADA ULC

by: /s/
---
its:

NOVATEL WIRELESS INC.

by: /s/
---
its:

EXHIBIT A

DELIVERY POINT:

Sanmina Canada ULC
6751 - 9th Street N.E.
Calgary, Alberta
Canada T2E 8R9

PRODUCT PRICING:

PART NUMBER	DESCRIPTION	REVISION	SELLING PRICE ($USD.)
01016446	CDPD MODEM MODULE NRM-6812SM ASSY	11	***
		***:	***
01016476	CDPD MODEM MODULE NRM-6812SM-M	5	***
		***:	***
649496001551	CDPD MODEM ASSEMBLY EXPEDITE	TBD	***
		Material	***

THE SELLING PRICE WILL BE REDUCED AS FOLLOWS WHEN THE CUSTOMER AND SANMINA IMPLEMENT ALL OF THE FOLLOWING COST REDUCTION PROGRAMS FOR 649496001551:

(a) ***

(b) ***

(c) ***

(d) ***

(e) ***

(f) ***

When all above opportunities are completed the price is: ***

*Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

PART NUMBER	DESCRIPTION	REVISION	SELLING PRICE ($USD.)
649496001506	MINSTREL III-P2H	1	***
		Price based on material costs:	***
649496001513	MINSTREL III-P1H	1	***
		Price based on material costs:	***

THE SELLING PRICE WILL BE REDUCED AS FOLLOWS WHEN THE CUSTOMER AND SANMINA IMPLEMENT ALL OF THE FOLLOWING COST REDUCTION PROGRAMS FOR 649496001506 AND 649496001513:

(a) ***

(b) ***

(c) ***

(d) ***

(e) ***

***

When all above opportunities are completed with the cost reductions for P/N 649496001551, the price is: ***

*Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

March 15, 2000 EXHIBIT 10.14

Christopher Ciervo
Symbol Technologies, Inc.
1 Symbol Plaza
Hotsville, NY 11742-1300

Dear Chris:

Here are the terms we have discussed for the supply of CDPD modems in your application.

1. Novatel Wireless Inc. ("Novatel") agrees to supply the Merlin OEM CDPD modem, as well as Ricochet II, GPRS, GSM EDGE and CDMA technologies to Symbol Technologies, Inc. ("Symbol").

2. This agreement shall run from *** through ***.

3. Novatel agrees to supply the CDPD modems to Symbol at a unit price not to exceed $139 US or at ***, whichever is lower. For GPRS, Ricochet II, GSM EDGE and CDMA technologies, Symbol's cost will be ***.

4. Symbol agrees to purchase a total of *** or *** from Novatel over the *** of the agreement. If Symbol does not meet this commitment ***, and does not integrate another CDPD modem solution, Symbol will not be liable for any monetary penalty.

5. If Symbol chooses to utilize another CDPD modem vendor for reasons other than under performance of Novatel's hardware, software or record in meeting agreed delivery dates, Symbol will make payments equaling *** on any outstanding forecast volumes.

6. The per unit price as set forth includes the communications board made up of the 0.6-Watt CDPD radio modem, top and bottom shield covers of metal-plated plastic, and a 50ohm RF connector for antennae connection.

7. Symbol shall provide a 12-month rolling forecast to Novatel Wireless. The following changes to the quantity forecasts will be allowed:

TIME LINE	STOCKING AGREEMENT
***	***
***	***

8. All prices are FOB Novatel's facility in Carlsbad, CA. All prices include normal packing for domestic shipment. All duty, insurance, special packing costs and expenses, and all Federal, Provincial, State and local excise, sales, use and other similar taxes are for Customer's account and will appear as additional items on invoices.

9. Warranties shall be defined in Schedule "A".

*Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

10. Novatel Wireless may, at its discretion, implement changes in the Product, modify the drawings and its specifications, or substitute a Product of more recent design; provided, however, that any such changes, modifications or substitutions, under normal and proper use shall not materially and adversely affect functional performance, form or fit of the product. Novatel Wireless agrees to use reasonable efforts to provide Customer with 30 days written notice of such changes.

11. Neither party shall be liable for any loss or damage due to delays in its delivery or performance, for its failure to manufacture, deliver or perform, arising out of any cause beyond its reasonable control.

12. Customer shall not assign this Agreement or any of its rights or obligations under this Agreement without the prior written consent of Novatel Wireless.

13. This agreement represents the business intent of both parties, and will be replaced by a formal agreement 30 days after execution.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives.

NOVATEL WIRELESS INC.	SYMBOL TECHNOLOGIES INC.
/s/	/s/
- ----------	----------
Robert Corey	Ron Goldman
President and CEO	Vice President and General Manager

SCHEDULE "A"

Warranties

1. Novatel Wireless warrants for a period of 1 year from delivery at the FCA point that its Products are free from defects in material and workmanship, conform to Novatel Wireless specifications and that the software shall be free from errors which materially affect performance. THESE WARRANTIES ARE EXPRESSLY IN LIEU OF ALL OTHER WARRANTIE3S, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, ALL IMPLIED WARRRANTEIS OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. NOVATEL WIRELESS SHALL IN NO EVENT BE LIABLE FOR SPECIAL, INDIRECT, INCIDENTAL, OR CONSEQUENTIAL DAMAGES, OF ANY KIND OR NATURE DUE TO ANY CAUSE.

2. Novatel Wireless' obligations are limited to correction of such failure, by implementation of the module swap warranty procedure whenever practicable and are conditioned upon the Product having been maintained in accordance with Novatel Wireless specifications and the Product not having been modified by any party other than Novatel Wireless except as expressly permitted in writing.

3. The foregoing warranties do not extend to (i) non-conformities, defects or errors in the Product due to accident, abuse, misuse or negligent use of the Product or use in other than a normal and customary manner, environmental conditions not conforming to Novatel Wireless' specifications, or failure to follow prescribed operating maintenance procedures, (ii) defects, errors or non-conformities in the Product due to modifications, alterations, additions or Product changes not made or authorized to be made by Novatel Wireless, (iii) normal wear and tear, or (iv) damage caused by force of nature or act of yany third party.

EXHIBIT 10.15

AGREEMENT FOR PURCHASE AND SALE OF NOVATEL WIRELESS INC. MOBILE TERMINAL UNITS

BETWEEN

NOVATEL WIRELESS INC.

AND

VOICESTREAM WIRELESS CORPORATION

* Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

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LIST OF CONTRACT ATTACHMENTS

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Attachment A-1	Description of Product 1 (specifications)
Attachment A-2	Description of Product 2 (specifications)
Attachment A-3	Description of Product 3 (specifications)
Attachment B	Dates for Completion of Attachments
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AGREEMENT FOR PURCHASE AND SALE

OF

NOVATEL WIRELESS INC. GPRS MOBILE TERMINAL UNITS

THIS AGREEMENT FOR PURCHASE AND SALE OF NOVATEL WIRELESS INC. MOBILE TERMINAL UNITS (the "Agreement"), is made and effective as of the __ day of March, 2000, by and between VoiceStream Wireless Corporation, a Delaware corporation with its principal place of business in Bellevue, Washington ("Buyer"), and Novatel Wireless Inc., a Delaware corporation, with its principal place of business in San Diego, California ("Seller").

RECITALS

A. Buyer has received authority from the FCC (as defined herein below) to construct and operate PCS (as defined herein below) networks in certain areas within the jurisdiction of the United States and may receive authority to operate additional such systems.

B. Seller has offered to sell to Buyer and Buyer wishes to buy the wireless communications subscriber devices and accessories described herein at the prices and discounts and on the terms and conditions specified herein .

AGREEMENT

NOW, THEREFORE, in consideration of the premises and mutual covenants set forth herein and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties, intending to be legally bound, agree as follows:

1 DEFINITIONS

The capitalized terms used in this Agreement or in an Attachment to this Agreement have the meanings set forth below:

AFFILIATE means any partnership, corporation or other entity in which Buyer owns a fifteen percent (15%) or greater equity interest or any entity controlling, controlled by or under common control with Buyer, which operates or is authorized to operate a Cellular System or PCS system in North America including the Caribbean Islands.

ANNUAL FORECAST means that annual forecast of Buyer's purchase volume only, updated monthly, supplied by Buyer to Seller, as more specifically described in Section 8.1.

AUTHORIZED PURCHASER means Buyer's selected, dealers, and agents, GSM network operators, retail stores, distribution centers, third party warehouses, and those other third party

dealers with whom Buyer has a relationship at the time of such third party's contracting with Seller for the purchase of Handsets.

BTA means Basic Trading Area, a geographic area designated by the Federal Communications Commission for the purpose of granting authorizations to construct and operate PCS networks.

COMMERCIAL PRODUCTS means that Products have passed the testing process defined in Section 9, have received any necessary regulatory approvals, and is ready in all respects for public sale.

COMMERCIAL TEST PROCEDURES (CTP) means that test procedure, as provided in Section 9 and elsewhere, for Commercial Products.

CONFIDENTIAL INFORMATION means information that the parties are obligated to protect as more fully provided in Section 15.

END-USER means the owner or user of a Handset (i.e., the person who buys and uses a Product).

FCC OR FEDERAL COMMUNICATIONS COMMISSION means the agency of the United States Government charged with authorizing PCS networks, currently the Federal Communications Commission, or its successor agency.

HANDSET(s) means a mobile station in the PCS service intended to be used while in motion or during halts at unspecified points and conforming to the PCS 1900 specifications, as appropriate. Handsets include handheld portable units and units installed in vehicles. Handsets shall also include data-only or voice and data subscriber equipment products designed for use with computer devices, and includes the PCS cards described on Attachments A-1 through A-3 and such other attachments upon which the parties may subsequently agree in writing and attach to this Agreement.

INTELLECTUAL PROPERTY CLAIM (IP CLAIM) means a claim involving Buyer's or Seller's intellectual property rights, as more fully described in Section 19.

INVENTORY means all Products owned and held by Buyer or its Authorized Purchasers for resale or use.

MINIMUM PURCHASE TERM means that 12-month period of time (i) commencing on the date of delivery from Seller of the first Commercial Products purchased and accepted by Buyer.

MTA means Major Trading Area, a geographic area designated by the Federal Communications Commission for the purpose of granting authorizations to construct and operate PCS networks. References to MTAs shall include BTAs.

PERSONAL COMMUNICATIONS SERVICE ("PCS") means a system authorized by the FCC to provide public correspondence using cellular radio techniques and operating in the frequency band 1850 MHz to 1910 MHz and 1930 MHz to 1990 MHz.

PRODUCTS means the Handsets and accessories identified in Attachments A-1 through A-3 hereto, including related documentation as the same may be modified, added or discontinued during the Term (where the addition, modification or discontinuance is in accordance with this Agreement) and available for purchase by Buyer or otherwise supplied to Buyer under this Agreement.

PROTOTYPE PRODUCT means an engineering version of a Product that is not a Commercial Product, capable of demonstrating size, weight, feel and some basic functionality (e.g., the ability to place/receive voice telephony calls, of the final Product). Prototype Products are not necessarily produced with production tooling nor do they necessarily have final production software. Prototype Products are built in limited volumes, primarily for engineering design validation purposes, and may include Alpha (first generation) and Beta versions..

PURCHASE ORDER means Buyer's order to Seller for specific Products, as more fully described in Section 8.

SECTION means, when used without any other reference, sections, including subsections, within this Agreement.

SOFTWARE means (a) all computer software furnished hereunder for use with Products including, but not limited to, computer programs contained on a magnetic or optical storage medium, in a semiconductor device, or in another memory device or system memory consisting of (i) hardwired logic instructions which manipulate data in central processors, control input-output operations, and error diagnostic and recovery routines, (ii) instruction sequences in machine-readable code that control call processing, peripheral equipment and administration and maintenance functions; and (b) documentation furnished hereunder for use and maintenance of the Software.

SPECIFIED SHIPPING DATE means the date, as shown in a Purchase Order or otherwise, upon which Buyer requests shipping of certain Products, as more fully described in Section 8.

SUBSCRIBER IDENTITY MODULE (SIM) means mean an electronic module, either in the form of an integrated circuit "smart card" or otherwise, that contains personalization information concerning a user and is intended to be inserted in and removed from a SIM reader in Handset Products.

TERM means, unless sooner terminated subject to section 14, the initial *** duration of this Agreement commencing on the date that it is completely executed by the parties, which initial term shall be extended for additional *** terms unless, ninety (90) days before the

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expiration of the initial or any other term, one party gives written notice to the other of non-renewal.

2 PURCHASES AND SCOPE OF SUPPLY

2.1 PERSONS AUTHORIZED TO PURCHASE .

2.1.1 PERSONS PERMITTED TO BUY PRODUCTS. This Agreement contemplates purchases by Buyer, its Affiliates, and its Authorized Purchasers, all sometimes collectively referred to as "Permitted Purchasers."

2.1.1.1 BUYER AND AFFILIATES. Buyer is permitted to purchase under the terms and conditions applicable to Buyer on its own account or for its Affiliates and Authorized Purchasers.

2.1.1.2 AUTHORIZED PURCHASERS. To simplify administration of purchases by Affiliates and Authorized Purchasers, unless otherwise agreed by the parties, each Affiliate or Authorized Purchaser may enter into a separate contract with Seller consistent with Seller's obligations to provide to such Affiliate or Authorized Purchaser identical pricing and substantially and materially the same terms and conditions provided to Buyer herein

2.1.2 Nothwithstanding the foregoing, Buyer has no responsibility for payments of obligations incurred by any other purchaser. Seller shall not seek payment from Buyer for any sums owed by any purchaser except Buyer.

2.1.3 EXCLUSIVE PURCHASES. Nothing in this Agreement shall require Buyer, or any other Permitted Purchasers, to purchase exclusively from Seller.

2.14 CREDITWORTHINESS. For any Permitted Purchaser other than Buyer, Seller may establish commercially reasonable, non-discriminatory credit (and other) qualifications as a pre-condition to sales. Seller shall provide written notice to Buyer of any proposed disqualification.

2.2 TECHNICAL INTERFACE.

2.2.1 INFORMATION REQUIRED. Within forty five (45) days from the effective date hereof, Seller shall provide Buyer with detailed information concerning the diagnostic and monitoring capabilities, operating software specifications, and detailed product specifications of Products, except information Seller reasonably considers proprietary or confidential. The information to be provided by Seller to Buyer shall also include the electrical interface specifications and the data flow specifications. All such information provided by Seller shall be sufficient enough to permit Buyer to use and maintain the Products as test equipment and to effectively test the Products in Buyer's network. As new Products are developed or as the electrical interface or data flow specifications are changed, Seller shall timely supply updated information to Buyer, except information Seller reasonably considers to be proprietary or confidential. The information supplied shall include instruction on how to place Products into diagnostic or monitor mode and, if hardware or Software components are necessary, Seller shall supply Buyer, without charge, with a quantity of such components sufficient for Buyer's reasonable requirements. The diagnostic and monitoring information to be provided by Seller shall include specific diagnostic/monitoring testing features on PCS 1900 equipment. If unique or proprietary connecting cables are necessary to communicate with the Product when in diagnostic or monitor mode, Seller shall furnish Buyer with a reasonable quantity of such cables, without charge.

2.2.2 USE OF INFORMATION. Seller hereby grants to Buyer a royalty-free license to use the information described in 2.2.1 for Buyer's purposes in constructing, testing, maintaining, using, and operating the Products. Seller shall develop sample software demonstrating interfaces and communications with the Product in diagnostic or monitor mode and Seller shall supply, without charge, copies of same, including sample source code (i.e., sample AT command script), to Buyer for Buyer's use. Buyer shall have the right to incorporate Products in this configuration into its test equipment for testing the Products, including the right to transfer information furnished under this Section 2.2.2 to third parties to develop test equipment for Buyer or to develop such test equipment directly. Seller shall not charge Buyer or any such third party any royalty or other similar charge where the test equipment so developed is used for Buyer's purposes testing the Products.

2.3 POINT-OF-SALE PACKAGING.

Seller shall use EAN 328, "3 of 9", or Universal Product Code ("UPC") stock control numbering ("SKU") markings or other customer-specific bar code markings and human readable format on the outside of the point-of-sale package

for each of the packaging options described below. Seller shall provide information to Buyer concerning Seller's bar coding and serial number coding for Products, sufficient to permit Buyer to properly electronically read Seller's bar coding and to be able to monitor and track Products received. Invoices and shipping notices shall include electronic copies of serial numbers and other information reasonably needed by Buyer to track and control inventory.

Buyer shall select, from time-to-time, its desired packaging format from among the options described below, subject to the limitations established therein. In the event that Buyer wishes to change its desired packaging format, Buyer and Seller shall agree upon the lead time necessary to effect such change, Buyer shall provide Seller with Notice of its desire to change packaging format as soon as possible (but no less than 90 days before the format change is desired), and Seller shall use reasonable efforts to afford the shortest lead time possible.

2.3.1 SELLER-LABELED BOX. The Product is packaged and shipped in Seller's standard size rectangular box labeled with Seller's trade name.

2.3.2 GENERIC BOX. The Product is packaged and shipped in Seller's standard size rectangular box without any labels, in a plain white cardboard format. In the event that any labels, packaging or identifying marks are intended to be attached to, or wrapped around such box, and Buyer uses its transparent packaging, Seller shall design the Product so that the "Novatel Inc." logo will be visible to the End User.

2.3.3 BULK-SHIP. The Product is shipped in a bulk package, without individual packages for each unit of Product. Buyer has the obligation to arrange for individual unit packaging. In the event that any labels, packaging or identifying marks are attached to, or wrapped around any individual unit packaging, and Buyer uses its transparent packaging, Seller shall design the Product so that the "Novatel Inc." logo will be visible to the End User.

2.3.4 CUSTOM PACKAGE. The Product is packaged and shipped in Seller's standard size rectangular box with Buyer's artwork and inserts (Commercial Product packaging). Buyer shall provide the necessary artwork in such format and upon such schedules as may be reasonably agreed by the parties. The parties shall agree upon a commercially-reasonable minimum order for such custom packaging. In the event that the cost for producing and shipping such a custom package exceeds Seller's cost to produce and ship its Seller-labeled box, Buyer shall pay that excess amount upon Seller's providing such documentation as Buyer may reasonably require.

2.3.5 PACKAGE INSERTS. With respect to the packaging performed in sections 2.3.1, 2.3.2, and 2.3.4, Seller shall, without charge to Buyer, insert into each point-of-sale package up to four (4) pieces of Buyer-provided materials such as, but not limited to, promotional materials and Buyer's service provider information. Buyer's promotional materials and information may be different for different models of Products and may differ geographically, which would require different SKU's for each package configuration, but they shall be designed to fit within the point of sale packaging with the Product, without significantly increasing the packaging costs. Seller shall ensure that the proper materials and information are inserted into the corresponding Commercial Product packaging and are delivered to the corresponding geographical regions.

2.4 CO-BRANDED PRODUCTS.

2.4.1 CO-BRANDED PRODUCTS. Buyer may wish to receive all or part of its orders in the form of co-branded Products in such form as Buyer shall direct in advance, whereby Buyer's name appears on the Product in addition to Seller's name (such Products being referred to as "Co-Branded Products"). Such Co-Branded Products may be in slightly different form, different color, etc. as may be mutually agreed by Buyer and Seller. Co-Branded Products shall be available to Permitted Purchasers to the extent determined and permitted in writing by Buyer. Seller's logo shall also appear on Co-Branded Products.

2.4.2 PRICES FOR CO-BRANDED PRODUCTS.

2.4.2.1 ***

2.4.2.2 *** the *** charge for a Co-Branded Product shall be based upon ***. Seller shall document its incremental expenses and present the documentation to Buyer. Notwithstanding anything to the contrary contained in the preceding sentences, the parties may mutually agree upon a commercially reasonable charge for custom manuals, documentation or other similar changes from Seller's standard practices. ***" Seller's charges for packaging of a Co-Branded Product are to be determined consistent with this Section 2.4.

2.5 PRODUCT TEST INSTRUMENTATION. ***, beginning when the first Commercial Products are delivered, Seller shall provide Buyer with current Software and shall continue to provide current updated Software subject to the terms of this Agreement.

2.6 ACCESSORIES. Seller will include a standard set of accessories with each Handset as identified and set forth in Attachment A-1 through Attachment A-3, including, at

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a minimum, antenna, headpiece/earset, user guide and necessary device driver software supplied on computer readable media (i.e. CD-ROM). In addition, Seller will offer a set of optional accessories available *** as identified in Attachment C, which shall be updated from time to time as mutually agreed to by the parties.

2.7 UPDATE TO CHANGED STANDARDS. The parties recognize that the PCS 1900 technology is still undergoing development and that Commercial Products may require post-production modification to meet changes in the various standards governing such Commercial Products.

2.7.1 Seller agrees to provide to Buyer, ***, all Software necessary to update any Products provided under this Agreement to meet standards changes relevant to the Product, where such standards change becomes effective within *** from the date of delivery of the Product to the End-User and (i) where, without the update, use of the Product would be significantly impaired; or (ii) where the update is necessary to remove a safety risk to users of the Product; or (iii) where the update is necessary in order to continue the safe, efficient and economic operation of Buyer's network; or (iv) where the change is required by operation of federal, state, local, or international law or regulation.

2.7.2 Further, Seller agrees to provide to Buyer, ***, any Software necessary to update any Products provided under this Agreement to meet standards changes relevant to such Products where such standards changes become effective within *** from the date of delivery of the Products to Buyer and where, without the update (i) there would be a material degradation in the operation of significant features of the Products available to End-Users prior to such standards changes and such material degradation occurred with respect to a material number of Products, or (ii) there would be a material degradation in the operation of the network.

2.7.3 Notwithstanding anything to the contrary contained herein, Seller shall comply with the final order of any court or administrative body with respect to any required modification of any Product.

2.8 MINIMUM PRODUCT PROCUREMENT. ***

2.8.1 RECORDS AND REPORTS. Seller shall maintain records sufficient to accurately determine the actual purchase volume credited to Buyer. Not later than thirty (30) days after the end of each preceding month, Seller shall prepare and provide to Buyer a report of qualifying purchases and credits toward purchases (if appropriate) for the preceding month. The report shall be furnished in both paper and electronic versions. Seller shall certify the accuracy of the report by signature of an appropriate officer of Seller. The report shall be categorized by identity of purchaser

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(Buyer,Affiliates, Authorized Purchasers) and model of Product purchased or credits toward purchases made, and the report shall indicate the unit volume of purchases qualifying for aggregation in each category.

2.8.2 CONTINUE TO DEVELOP COMPETITIVE PRODUCTS. Buyer's guaranty to purchase the Minimum Purchase Quantity is conditioned upon Seller's ability to continue to supply state-of-the-art Products that are readily accepted by the marketplace.

2.9 ALLOCATION OF PRODUCTION. In the event that Seller is unable to meet its orders for Products as set forth in Purchase Orders that have been accepted by the Seller, and without derogation of Buyer's other remedies under this Agreement, Seller grants Buyer ***. Buyer shall retain this right of first refusal until Buyer has met its Minimum Purchase Quantity commitment, or the Minimum Purchase Term has expired, whichever is earlier. Buyer's right of first refusal shall apply to purchases by Affiliates and Authorized Purchasers.

2.10 EMBEDDED PERMITTED SYSTEM RESTRICTION; PRE-LOADED SIM.

2.10.1 EMBEDDED PERMITTED SYSTEM RESTRICTION. All Co-Branded Handset Products sold to Permitted Purchasers shall be configured with embedded software so as to function only with a SIM supplied by Buyer or, as provided in Section 2.10.2, by Seller, unless otherwise specifically requested by Buyer. Handsets shall be inoperable, except for emergency calls, using a SIM for a network other than Buyer's. Roaming operation with Buyer's network as the subscriber's home system shall be unaffected by this restriction. Such restriction shall be removable only through an input key sequence unique to each individual Handset (i.e., a common un-restriction code for all Handsets of a particular model is not acceptable). Following removal, the Handset shall operate with any SIM. The removal key sequence shall be supplied to Buyer in an electronic database, indexed by the serial number of the Handset or other unique identifier agreed to by Buyer. The removal key sequence shall not be supplied to any other Permitted Purchaser or to the users of Handsets without the written consent of Buyer on a case-by-case basis.

2.10.2 PRE-LOADED SIM; PRE-PAID SIMS. Buyer intends that all Handsets sold to Permitted Purchasers shall have a SIM configured for Buyer's network pre-installed unless otherwise directed by Buyer. The parties shall negotiate the method of effecting Buyer's intention, recognizing the need for security in the SIM configuration and the need to accomplish installation in a cost-effective fashion. The installation method may involve Buyer supplying configured SIMs to Seller for installation. In those instances where Seller is to install SIMs, the compensation to be

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paid to Seller shall be as set forth in Attachment C. Where the parties agree that Seller is to assume responsibility for installing SIMs, information concerning the SIM and International Mobile Equipment Identity ("IMEI"), etc., shall be provided to Buyer in a mutually agreed electronic form. ***. Seller agrees that it will implement reasonable and prudent safeguards to protect all SIMs over which it has custody. In connection therewith, no less frequently than once per calendar quarter, Seller shall provide Buyer with a detail inventory report and proper accounting of SIMs provided to Seller hereunder.

Seller agrees promptly to implement pre-paid SIM support in its Handsets upon completion of pre-paid SIM standards.

2.11 RESALE BY BUYER. Buyer shall have the right to resell Products upon the prices and terms and conditions to be determined by Buyer. Seller shall honor the warranty and other obligations imposed in this Agreement with respect to any Affiliate, Authorized Purchaser, or End User to the same extent required for a direct sale by Seller.

2.12 SOFTWARE LICENSE. Subject to the limitations set forth elsewhere in this Agreement, at no charge to Buyer, Seller hereby grants to Buyer and its End Users a nonexclusive license to use Software associated with Products delivered to Buyer.

2.13 DATABASE. Seller shall provide electronic format data concerning each Handset Product shipped, in the format and on the dates set forth in Attachment G. The form of data and its media may be changed from time-to-time by mutual agreement of the parties.

2.14 COUNTRY OF ORIGIN. Upon request by Buyer, Seller shall provide Buyer with evidence of country of origin of Products, including the usual and customary certificates of country of origin, signed by an appropriate authorized official of Seller.

2.15 BATTERY RECYCLING. If Seller's Products contain separate batteries or batteries replacable by End-Users, Seller shall establish a "used battery return program," whereby Buyer and End-Users of Seller's Products may obtain information on recycling used batteries through a nationwide toll-free "800" telephone number. Information concerning this program shall be included in the user information supplied with Products and replacement batteries.

2.16 ADVERTISING DISPLAY MATERIAL. Seller shall create the normal and customary point-of-sale display material, product brochures, dummy Handsets, etc. and furnish reasonable quantities of the same to Permitted Purchasers at the prices set forth in Attachment C. Seller shall cooperate with Buyer in producing this

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material and, upon request by Buyer, add reasonable Buyer-defined information to the point-of-sale material. Reasonable quantities of the sales material described in Attachment H will be provided by Seller to Buyer without charge. Such quantities shall be consistent with those quantities offered to other customers of Seller under similar circumstances.

3 CUSTOMER REPRESENTATIVE

3.1 CUSTOMER REPRESENTATIVE. No more than 30 days subsequent to the effective date hereof, Seller shall identify a customer representative (the "Customer Representative") to whom it shall delegate such authority within Seller's organization as is necessary for proper discharge of the duties and obligations set forth in this Agreement. By illustration and not limitation, the Customer Representative shall provide timely information to Buyer concerning development, testing and manufacturing schedules, test procedures, test execution, shipping and delivery schedules, manufacturing of co-branded or other custom Products, specifications, features and functions, inter-operability, and other related matters. The Customer Representative shall be Buyer's primary point of contact for all issues arising from the implementation and execution of the terms and conditions of this Agreement.

3.2 UPDATE MEETINGS. The parties shall meet not less than once every calendar quarter to review Buyer's needs for Products, and discuss new Products (such meeting being referred to as an "Update Meeting"). At least thirty (30) days prior to each Update Meeting, Buyer shall submit to Seller a written, proposed agenda, outlining the development issues Buyer would like addressed by Seller. Seller shall review such proposed agenda and will provide an update to Buyer on any such issue where Seller has provided, or is willing to provide, an update to any customer or other third party. Further, at each Update Meeting, Seller will provide to Buyer an update on the status of the development of any features Seller anticipates will be launched within the forthcoming two (2) years, provided that Seller has disclosed, or is willing to disclose, such information to any customer or other third party. Buyer agrees that certain of this information may be Confidential Information and shall be treated as such in accord with the terms of this Agreement.

4 PRICES

4.1 ***

4.2 ***. Subject to the terms and conditions set forth in Section 8, ***

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4.2.1 In the event that Seller fails for any reason to develop and deliver any of the Commercial Products listed on Attachments A-1, A-2, or A-3 within the time periods previously agreed upon by the parties, then ***

4.3 PRICE LIST; CHANGES AS NEW PRODUCTS ARE INTRODUCED. The prices for the Products as set forth in Attachment C are ***. If Seller implements changes in the Products, modifies the drawings and specifications relating thereto, or substitutes therefor products of more recent design through proposed amendments to Attachments A-1 through A-3 or the addition of a new Attachment, in addition to any other requirements provided in this Agreement, any changes, modifications or substitutions must comply with each of the following requirements with respect to changes to existing Products or new Products intended as replacements for existing Products:

4.3.1 INTERCHANGEABILITY. Where the new or changed Product is intended to be physically interchangeable with an existing Product, such new or changed Product must not adversely affect physical or functional interchangeability with existing Products or performance, unless otherwise agreed in writing by Buyer.

4.3.2 PRICE. The price for an equivalent Product (i.e., with similar form including size and weight, features, functionality and accessories) must be ***.

4.3.3 ADVANCE NOTICE.

4.3.3.1 Seller will provide Buyer with advance written notice of any substantial change, modification substitution, or discontinuance, including notice of Seller's intention to change the Product's price as set forth in section 4.3.2. Except where unplanned and immediate market changes make such notice impracticable, the notice shall be given at least ninety (90) days in advance of the effective date of the change, modification or substitution, except that notice of Seller's intention to change the Product's price shall be given at least thirty (30) days in advance of the effective date of the change. Should Seller not have made its final pricing decisions at the date of notice, Seller shall provide Buyer with Seller's estimated prices *** and shall furnish the final price information to Buyer not later than thirty (30) days in advance of the effective date. In the event that Seller has failed to provide the required advance written notice, then Buyer may, at its option, return all unsold inventory of the Products to which the price change applies and receive a credit from Seller in the amount paid by Buyer for the

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returned products. The price for any Product that has not been shipped as of the effective date of the price change shall be deemed to be restated at the new, lower amount.

4.3.4 ACCESSORY COMPATIBILITY. Where a new Product is introduced, Seller shall ensure that, to the greatest extent reasonably feasible, the new Product is plug-compatible with older Products for accessories. It is not Buyer's intention to limit Seller's ability to introduce smaller or lighter Products through this Section 4.3.4. However, Seller shall give due consideration to ensuring compatibility of, among other things, battery chargers, hands-free kits, etc., when introducing new Products.

4.4 ***.

***

4.4.2 *** either by (i) delivering a check made payable to the order of Buyer or delivering cash to Buyer; or (ii) applying a credit or offset against any outstanding undisputed invoices Buyer has with Seller and delivering a check to Buyer for the remaining amount. In addition to the foregoing, the parties may agree that Seller may apply *** rebate either by (x) delivering to Buyer such quantity of Products as has an aggregate value equal to the ***; or (y) combining any of the first three methods set forth in this Section 4.4.2.

4.4.3 CERTIFICATION. Buyer may from time to time obtain from Seller, ***, a certification signed by an authorized officer, stating that the price review was performed and whether Buyer or any other Permitted Purchaser is entitled to a rebate or a lower price upon the conclusion of the quarterly price analysis described above. At Buyer's request, Seller shall provide the results and documentation of the review to Buyer's outside independent firm of certified public accountants for verification; provided that the accountants shall not disclose any information related to such review to Buyer, unless Buyer is entitled to lower prices or more favorable terms of sale under this provision and then only such information as may be necessary to request such prices or terms. All information delivered to Buyer shall also be delivered to Seller. In the event that the outside audit determines that a price reduction should have been made but was not made by Seller, Seller shall bear all expenses of the audit. In the event that the outside audit determines that no price reduction should have been made, Buyer shall bear all expenses of the audit.

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4.5 RETURN POLICY. Buyer shall have the right to return Product, subject to re-stocking charges and other reasonable limitations set forth in Seller's "Standard Return Policy," as amended from time to time by mutual agreement, a copy of which is attached hereto as Attachment I. ***

4.6 TAXES AND OTHER CHARGES. Seller shall bear the cost of all taxes, import and export duties, and other governmental fees of whatever nature except sales and use taxes. Seller shall not charge Buyer sales tax, provided that Buyer has provided Seller with a current tax-exempt certificate.

4.7 SELLER TO HOLD BUYER HARMLESS. Seller agrees to pay, and to hold Buyer harmless from and against, any penalty, interest, tax or other charge that may be levied or assessed as a result of the delay or failure of Seller for any reason to pay any tax or file any return or information required by law, rule or regulation or by this Agreement to be paid or filed by Seller.

5 INVOICING AND TERMS OF PAYMENT

5.1 INVOICE UPON SHIPMENT. Seller shall issue an invoice to Buyer in detail satisfactory to Buyer, including a mutually-agreed upon electronic format, for Products at the time of shipment.

5.2 PAYMENT. Buyer guarantees to Seller to pay invoices within thirty (30) calendar days of the later of both (i) Buyer's receipt of an invoice and (ii) receipt by Buyer of Products corresponding to such Invoice.

5.3 PAST DUE PAYMENTS. Any payment not made within thirty (30) days of receipt of invoice shall be subject to a late payment charge of *** per month applied against the unpaid portion of the charge. In the event that any payment becomes more than sixty (60) days past due, Seller may at its option (i) cease shipment of any Products ordered in accord with this Agreement and (ii) provide the thirty (30) notice of termination with Buyer's right to cure as set forth in section 14.1.

5.4 AMOUNTS IN DISPUTE. Where Buyer disputes the amount due under an invoice, Buyer shall pay the sum not in dispute. Sums disputed in good faith shall not be considered late under Section 5.3.

6 SELLER ADVERTISING ACCOUNT

Buyer may purchase advertising and promotion in the Buyer's MTA's and BTA's with a total value of *** purchased by Permitted Purchasers from Seller hereunder, and Seller shall credit *** against amounts otherwise due Seller (the "Advertising Allowance"). Buyer shall earn the Advertising Allowance monthly and may use it at any time over the

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twelve (12) month period immediately following the month in which the Advertising Allowance was earned. The Advertising Allowance shall be applicable to the Minimum Purchase Quantity only once the Minimum Purchase Quantity has been delivered, but it may be spent at any time in the twelve (12) month period immediately following completion of delivery of the Minimum Purchase Quantity.

7 TRADEMARKS AND LOGOS

7.1 LOGOS ON PRODUCTS; ADVANCE CONSENT FOR OTHER LOGOS. At either party's reasonable request, the Products shipped under this Agreement shall carry that party's designated logo and/or labeling as described in Section 2.

7.2 LIMITED USE OF MARKS. To ensure protection of each party's trademarks, trade names, corporate slogans, corporate logo, goodwill and product designations, neither party, without the express written consent of the other, shall have the right to use any such marks, names, slogans or designations of the other, in the sales, lease or advertising of any Products or on any Product container, component part, business forms, sales, advertising and promotional materials or other business supplies or material, whether in writing, orally or otherwise.

7.3 ARTWORK AND REPRODUCTION. To the extent requested by a party and in accordance with Sections 2 and 7.1, the other shall provide camera-ready artwork of the other's trademarked logo labels. The providing party hereby authorizes the receiving party to reproduce such trademarked labels to the providing party's satisfaction for the sole purpose of affixing such trademarked labels to the Products and point-of-sale packaging in accordance with the providing party's specifications. Each party represents and warrants to the other that it has the right, by way of ownership or otherwise, to use such logo and further agrees to indemnify and hold the other harmless for any losses, damages or other liabilities resulting from the use of the providing party's designated logo. The parties will agree upon reasonable provisions for samples and approval of trademarked labels added to Products.

8. FORECASTING AND PURCHASE ORDERS.

8.1 FORECAST OF DEMAND. Buyer shall MONTHLY FURNISH SELLER WITH twelve-month rolling forecasts, showing Buyer's projected purchases month by month. Buyer shall use its reasonable efforts to make the rolling forecasts accurate but the rolling forecast does not obligate Buyer to purchase any specific Products or quantities of Products, subject to the Minimum Purchase Quantity commitment. Seller shall notify Buyer promptly upon receipt of each forecast whether Seller can provide Products sufficient to meet the forecast. Buyer shall provide the first forecast within two business days after complete execution of this Agreement.

8.2 PURCHASE ORDERS; ACCEPTANCE; THE MINIMUM PURCHASE QUANTITY. Buyer shall periodically submit to Seller orders for the purchase of the Products (each a "Purchase Order") as set forth below. Purchase Orders shall be governed by the terms and conditions of this Agreement. If a Purchase Order specifies quantities that do not exceed the forecast, then Seller must accept that Purchase Order. If a Purchase Order specifies quantities that exceed the forecast, Seller may at its option accept all of the Purchase Order, but it must accept that portion or quantity of the Purchase Order specified in the forecast. If a Purchase Order is within the forecast and Seller can only deliver less, the difference between the quantity within the forecast and the quantity delivered shall be applied against Buyer's obligation to purchase the Minimum Purchase Quantity. In the event that Seller refuses to provide Products in excess of the quantities set forth in the forecast, then such amounts shall not be applied against Buyer's obligation to purchase the Minimum Purchase Quantity.

8.3 FORM OF PURCHASE ORDER. Each Purchase Order shall specify:

(a) the models, unit extended, and total cost of Products to be delivered;

(b) the quantity of Products to be delivered, provided, however, that each Purchase Order shall be for a minimum of four pallets, each sized 40" X 48" X 60", and containing no fewer than *** units of the Products;

(c) Buyer's required date of delivery of the Products (the "Specified Delivery Date"), provided, however, that in no event shall the Specified Delivery Date be sooner than ninety (90) days after Seller receives the Purchase Order;

(d) Where the Products are to be delivered, which may include any or all of Buyer's, Affiliates', or Authorized Purchasers' delivery points, or third party delivery points or warehouses [the "Delivery Location(s)"];

(e) the preferred method of shipping;

(f) the SKU and any other Products packaging or labeling requirements; and

(g) Name, address and phone number of the person to receive the notice of receipt.

8.4. RECEIPTS OF PURCHASE ORDERS. Seller shall provide Buyer with electronic (to include facsimile) or written notice of receipt of Purchase Orders. Subject to the terms and restrictions of section 8.2, within five (5) business days of Buyer's placement of a

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Purchase Order, Seller shall notify Buyer in writing of its acceptance or rejection of Buyer's Purchase Order including shipment dates. Seller shall also provide to Buyer notices of actual shipments on each day of shipment. Such notices shall include the serial numbers of Products being shipped and the Purchase Order number being filled, SKU, description, quantity shipped and quantities backordered, the name of the carrier and the carrier's tracking number, delivery date, and Universal Product Codes ("UPC") related to the shipment.

8.5. SIM UNLOCK DATA. Seller shall provide Buyer with all handset SIM unlock data via electronic or disks within five (5) days of any handset deliveries. The data format shall follow the GSM NA reference document NAPT 14 (or successor thereto). Upon prior written approval by Buyer, Seller may implement an alternate means of Seller's choice of providing the SIM unlock data, provided, however, that if such alternate means requires additional costs or equipment, this shall be provided to Buyer by Seller free of charge.

8.6 CHANGES TO DELIVERY LOCATIONS. Changes to the Delivery Location(s) originally specified on a purchase order must be submitted to Seller in writing at least fifteen (15) business days prior to the Shipment Date.

8.7 TEMPORARY HOLD ON DELIVERIES. Buyer shall have the right to require Seller to hold delivery of up to twenty percent (20%) of any shipment for a period not to exceed sixty (60) days, where the hold notice is given at least thirty (30) days in advance of the scheduled shipping date; provided, however, for all such shipments scheduled to be made during the last calendar quarter of any year, Seller may, at its option, in lieu of postponing shipment according to the terms of this Section 8.7, ship the Products as scheduled. However, if Seller elects not to honor Buyer's hold notice and instead elects to ship the entire quantity of Product ordered by Buyer, Buyer shall be afforded sixty (60) days from the date of receipt of the invoice applicable to such shipped order in which to pay Seller for such shipment. Notwithstanding anything to the contrary contained in this Section 8.7, if Buyer shall invoke its privilege to delay delivery of up to twenty percent (20%) and shipment is delayed as provided herein, the liquidated damages provision of Section 8.10 shall not apply to the late delivery of the re-scheduled shipment(s) and Buyer expressly acknowledges that Seller may sell to another of Seller's customers any delayed Handset inventory on hold.

8.8 CHANGE OF MODEL MIX. Buyer may change the model mix of any shipment of any Purchase Order and Seller shall honor such changes subject to the following:

8.8.1. All such changes must be made in writing.

8.8.2. For changes requested where Products are sought to be substituted for other Products within that same model family, requests for changes made at least ninety (90) days prior to the Specified

Shipping Date shall be honored, without adjustment to the Specified Shipping Date.

8.8.3 For changes requested where (a) Products are sought to be substituted for other Products within that same model family, but the request is made less than ninety (90) prior to the Specified Shipping Date or (b) Products are sought to be substituted for other Products outside the model family, Seller shall, within ten (10) days of receipt of such request, notify Seller whether the requested change is acceptable and/or whether such changes will necessitate a change in the Specified Shipping Date.

8.9 INABILITY TO MEET A SPECIFIED SHIPPING DATE. Once a Purchase Order has been accepted, Seller is expected to deliver the Products in such quantities, in such manner and in such time as specified in the Purchase Order. As soon as Seller believes that it will be unable to meet the Specified Shipping Date, Seller shall without delay provide notice to Buyer.

8.10. FAILURE TO MEET SPECIFIED SHIPPING DATE. Regardless of whether Buyer has been notified of Seller's inability to meet a Specified Shipping Date, should Seller fail to ship Products within fourteen (14) days of the Specified Shipping Date, Buyer shall have the option, which shall not be unreasonably invoked, to exercise any one or more of the remedies defined below:

8.10.1 Cancel the Purchase Order, in whole or in part, with no obligation to pay for the Products specified in the Purchase Order.

8.10.2 Reschedule the delivery date for all or any part of the late shipment.

8.10.3 If delivery is not complete by the Specified Shipping Date, then Seller shall be liable for the following late delivery damages: ***

8.10.4 If Seller fails to make a full delivery within 30 days of the Specified Shipping Date, in addition to the foregoing remedies, ***

8.11 RIGHT TO COVER. Except as otherwise limited in the manner described in this Section 8.11, in addition to any other rights that Buyer might have elsewhere in this Agreement, including specifically section 8.10, should Seller fail to meet its Specified Shipping Date for any Product, at its sole option and after providing Seller with written notice no less than thirty (30) days prior to seeking alternative supplies, Buyer may seek alternative supplies from other manufacturers or distributors. However, if within such thirty (30) day period, Seller resolves the delivery problems that have caused Buyer to seek such alternative supplies, Buyer shall renew purchasing Products from Seller on the terms and conditions set forth in this Agreement.

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Should Buyer exercise its option to seek alternative supplies after the thirty (30) day period described above, Buyer's Minimum Purchase Quantity shall be reduced by the number of units that Buyer obtains from its alternative source. The number of units that Buyer obtains from its alternative source shall also count toward Buyer's ***, as set forth in Section 4.2. For example, in the event that Seller fails to meet a Specified Delivery Date for *** units, and after 30 days, Buyer exercises its option to purchase those *** units from an alternative source, then those *** units shall count as purchased in determining when Buyer shall begin to recoup the Product Development Fee. If Buyer has already begun to ***, then those units shall be eligible for *** in accordance with Section 4.2.

Should Buyer exercise its option to seek alternative supplies after the thirty (30) day period described above, Seller shall be liable to Buyer for Buyer's increased costs, including differences in unit prices, expedited shipping charges and related operating costs related acquiring comparable Products from an alternative source. Notwithstanding anything to the contrary in the immediately preceding sentence, Buyer agrees that it shall take reasonable steps to mitigate the level of such increased costs and the resultant impact on Buyer's operations.

8.12 DISCREPANCIES. Buyer shall report to Seller any discrepancies concerning the quantity of Products shipped or drop-shipped within either five (5) days following delivery or three (3) days of discovery of the discrepancy, whichever comes later.

8.13 MODIFICATIONS TO PURCHASE ORDER. Except to the extent restricted by this Agreement, Buyer retains the right to modify or cancel, in whole or in part, any Purchase Order prior to complete performance thereof by Seller. Any such modification or cancellation shall be subject to the provisions set forth below and to this Agreement.

8.13.1 MODIFIED OR CANCELED PURCHASE ORDER. Notwithstanding the foregoing, Buyer may modify or cancel any Purchase Order through notice to Seller. In the event of modification or cancellation of a Purchase Order by Buyer, Seller may be entitled to claim compensation as provided in Section 8.13.2.

8.13.2 CHANGE IN COSTS. If Seller has performed work that is not reusable in fulfilling its obligations under other Purchase Orders issued by Buyer, or that such non-reusable work cannot reasonably be restocked or otherwise used by Seller in fulfillment of its obligations to other customers without increased cost to Seller, then the purchase price to be charged by Seller shall be equitably adjusted. Seller shall inform Buyer of its intention to demand a price increase due to the variation within two (2) weeks after the receipt by the Seller of the modified or canceled Purchase Order. Buyer need not give notice to Seller of Buyer's intention to claim a

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payment reduction due to any cancellation or reduction in quantity of Products. In such instances, Seller shall reduce appropriately and automatically the invoice amount to reflect the reduced quantity of Product ordered. The determination of any price adjustment shall in no event delay any performance by Seller under this Agreement.

9 QUALITY ASSURANCE

9.1 ACCEPTANCE TEST PROCEDURE TO BE DEFINED. Buyer and Seller will jointly establish the appropriate Acceptance Test Procedures that will be added to this Agreement subsequent to the date hereof as Attachment E not later than the dates set forth in Attachment B. Notwithstanding the preceding sentence, Seller is expected to plan other tests, generate test procedures, incorporate Buyer input, to the extent Seller believes such input is reasonably appropriate, execute tests, report results and rectify test failures, before testing a Product for Acceptance.

9.2 REGULATORY. Seller shall be responsible at its sole cost for obtaining any and all approvals and certifications required by governing bodies, including, but not limited to, FCC approvals, Underwriter's Laboratory approval, etc. Seller is deemed to be an expert in obtaining any regulatory approvals and delays in obtaining regulatory approval shall not constitute an excusable delay, unless such delay is the result of system simulator failure or similar problems, or such delay results from an event deemed to be Force Majeure, unless Seller can clearly demonstrate such, where requests are timely filed. Seller represents and warrants that all Products delivered hereunder will have received all necessary regulatory approvals. By illustration and not limitation of the foregoing, Seller warrants that, upon delivery, Products will comply with all FCC rules or other regulations including, without limitation, compatibility with disabled or handicapped End-Users, including hearing impaired End-Users using hearing aids, blind End-Users, etc., applicable as of the date of such delivery. Seller also warrants that, to the extent applicable to Seller or Buyer, Seller's Products comply with the requirements of the Americans With Disabilities Act, 42 U.S.C. Section 12101. Seller shall add to its instruction manuals information concerning use of Products by disabled or handicapped persons. Buyer agrees to provide Seller at Seller's expense with reasonable assistance and backup support when so requested by Seller and where necessary in obtaining such approvals.

9.3 ISO 9000 COMPLIANCE; AUDITS. Seller shall endeavor to produce Products in accordance with a quality system meeting the requirements established in ISO Standard 9001. Seller shall work to gain ISO 9001 certification and shall, upon request by Buyer, furnish Buyer a copy of Seller's ISO certification plans and timetable. Buyer may conduct quality audits of Seller's manufacturing facilities up to four times a year, with advance notice of five (5) working days.

9.4 MARKET VERIFICATION TEST; COMMERCIAL TEST PROCEDURES. For each Prototype model of Product, within five (5) days of the first day on which Alpha units are available (as set forth in Attachment J), Seller will provide Buyer, at no charge, two (2) such Prototypes for testing. Buyer shall test the units according to any protocols submitted by Seller and may additionally test the units as Buyer deems appropriate. In addition, for each new model of Product, within five (5) days of the first (1st) day of Beta testing (generally, about thirty (30) days before launch), Seller will provide Buyer, at no charge, one hundred (100) units for Beta testing in accordance with Seller's protocols. Buyer shall conduct all such testing in good faith and shall submit the results to Seller within ten (10) days of completion of testing. In addition, if Seller so requests, all test units on loan to Buyer shall be (i) returned to Seller, or (ii) destroyed by Buyer, either at Seller's expense.

9.5 FIELD TRIALS. Where Buyer and Seller agree to conduct field trials using Buyer's network and Prototype Products, should FCC type acceptance or other regulatory approval not have been granted for the Prototype or Pre-production Products, Seller, at its cost and with appropriate support from Buyer in Buyer's discretion, shall promptly seek and diligently prosecute, a request for expedited approval or an interim waiver to meet regulatory requirements. In connection with such field trials, at no charge to Seller, Buyer shall provide Seller with a commercially reasonable number of SIMs for the purpose of conducting such field trials. The SIMs to be provided to Seller shall be enabled for use in Buyer's home network and for roaming in other networks. The reasonable and customary expenses incurred by Seller in performing such tests shall be borne by Seller.

9.6 SAMPLE TESTING. Seller may at its sole option, but is not obligated to, perform adequate testing to assure that shipped Products meet Buyer's sample testing criteria established in Attachment D. Notwithstanding the foregoing, prior to Seller initiating the volume manufacture of Products, Buyer shall have the right at its sole option, but is not obligated to, conduct sample testing of incoming Products and to reject lots that fail to meet the applicable product specifications and quality levels set forth in this Agreement and Attachments hereto (including the quality levels set forth in Attachment D), and/or US regulatory requirements and US law. Buyer shall have the right to conduct such testing either at Seller's manufacturing facility ("on-site testing") or Buyer's facility ("off-site testing"). Neither Buyer's waiver of its right to conduct sample testing nor Buyer's conducting sample testing in any way other than as set forth in Attachment D shall derogate from or otherwise affect in any way Buyer's other rights or remedies under this Agreement, including by illustration and not limitation its rights and remedies under sections 13, 14, or 17.

9.6.1 ON-SITE TESTING. Buyer shall have the right to conduct at Seller's site acceptance tests of manufactured Products in such time frames as are

mutually agreed upon by the parties. Buyer's acceptance tests shall not unreasonably interfere with Seller's normal business operations, and Buyer may not require Seller to provide test equipment for such tests beyond that which Seller normally uses to perform such tests. This testing in no way relieves Seller of any other responsibilities under this Agreement. Seller shall make available such test equipment to Buyer at Seller's location to perform such tests. In the event Buyer requests tests that are not normally performed by Seller, Buyer and Seller shall work together to implement Buyer specific end of process tests. Any increases in cost to Seller to perform such Buyer tests will be negotiated in good faith by both parties prior to Seller initiating such tests.

9.6.2 OFF-SITE TESTING. Seller acknowledges and agrees that, in addition to the testing described in Section 9.6.1 or in lieu thereof, Buyer shall have the right to conduct off-site sample testing of incoming Products and to reject lots that fail to meet the quality levels set forth in Attachment D. In connection with such off-site testing, Buyer shall bear the cost of any additional test equipment required to perform such test(s); however, Seller shall provide Buyer, without charge, all upgrade(s) to any Seller owned software used in the test equipment so that Buyer is able to test and confirm the quality of the various releases of Products provided hereunder. Buyer shall be solely responsible for any additional testing required to qualify Products for sale in any market other than the U.S. Seller shall perform adequate testing to assure that shipped Products meet Buyer's sample testing criteria set forth in Attachment D.

9.7 INCOMING INSPECTION. In addition to the sample testing described in Section 9.6, Buyer shall have the right to conduct up to one hundred percent (100%) inspection of all incoming products ("Incoming Inspection"). Any Incoming Inspection shall be completed within thirty (30) days of receipt of the Product undergoing inspection. The Incoming Inspection shall determine completeness of shipment, physical and electrical condition of Products, and otherwise verify conformance of the Products with the specifications thereof. Buyer shall have the right to reject any such shipment as having failed Incoming Inspection. In such event, at the Seller's discretion either (i) Buyer may reject the shipment and return it to Seller at Seller's expense or (ii) Buyer may reject the shipment, and, as soon as commercially feasible but no later than seventy-two (72) hours after receiving Buyer's notice of rejection, Seller will fly one or more of its personnel to the location of such rejected shipment for the purpose of examining the same and rectifying the cause for Buyer's rejection. Buyer, however, shall not have the right to delay payment, where payment to Seller is otherwise due, by virtue of Buyer's failure to complete Incoming Inspection within thirty (30) days. Buyer's performance of Incoming Inspection, however, shall not prevent Buyer from making claims under other provisions of this Agreement for defective, misdelivered or otherwise incorrect Products.

9.8 RETURN OF DEFECTIVE PRODUCTS OTHER THAN IN WHOLE SHIPMENTS. With respect to Products failing Buyer's acceptance tests, where such failures are random in nature and type and are not common failures (e.g., a software program bug that affects every unit shipped in the same or a similar manner), Seller shall compensate Buyer in liquidated damages for Buyer's efforts in identifying Defective Products and returning them to Seller for credit against Buyer's account. A Product Defect shall include, but not be limited to, a damaged, mislabeled or mis-packaged Product, an incorrect Product model or improperly operating Product, or a Product not in compliance with the specifications as set forth in Attachments A-1 through A-3 of this Agreement or such subsequent Attachment (a "Defect" or "Defective Product"). The liquidated damages shall be in the form of additional like Products shipped at Seller's expense, provided without additional charge to Buyer, and shall be in addition to any other remedies for Defective equipment as provided elsewhere in this Agreement. The liquidated damages shall be determined as follows:

9.8.1 ***

9.8.2 ***

10. EXTENDED TERM FOR CERTAIN PROVISIONS. Except as may be more specifically set forth in an individual section, sections 1, 2, 7, 10, 12, 13, 14, 15, 17, 18, 19, 25, and 32 shall survive the termination of other portions of this Agreement.

11. TITLE AND RISK OF LOSS

Title and risk of loss shall pass to Buyer upon delivery of the Products to the location specified in the Purchase Order. Seller shall pay for all freight charges from Seller's configuration center to Seller's warehouse in San Diego, California. Seller shall bill all additional freight charges to Buyer's Delivery Points at the amounts set forth in Attachment C. Delivery of the Products shall convey to Buyer all rights and title therein by appropriate documents with warranty of title, free and clear of all liens and encumbrances. Title to Seller's intellectual property, including software, patents, copyrights, trademarks and trade names, shall not be conveyed to Buyer at any time.

12 PRODUCT SUPPORT

12.1 TRAINING SUPPORT. Seller shall provide, without charge, training support to Buyer as provided below:

12.1.1 TECHNICAL TRAINING. Seller will train Buyer's personnel in connection with the installation, re-programming, use, and maintenance of the Products. Consistent with the requirements of Section 12.3, Seller shall

*Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

give Buyer a reasonable number of copies of Product documentation, including, but not limited to, re-programming and installation instructions, standards and specifications, maintenance procedures and usage instructions, except as Seller reasonably considers to be proprietary or confidential.

12.1.2 SALES TRAINING. Seller shall train Buyer's sales personnel on the Products, including training materials for on-site sales personnel training, providing detailed feature and benefits summaries, configuration drawings, accessory descriptions, programming instructions and the like.

12.1.3 CUSTOMER SERVICE TRAINING. Seller shall train Buyer's customer operations personnel, including training materials for on-site customer service training, providing detailed feature, configuration drawings, trouble shooting Q&A, and programming instructions.

12.1.4 REPRODUCTION RIGHTS; UPDATED TRAINING MATERIAL. Buyer has the right to video tape all training classes conducted by Seller for Buyer's employees and to use the video tapes as training tools for new hires. Seller will provide Buyer with training documentation in both paper and electronic formats and for on-line documentation to be shared by multiple users. Seller will provide Buyer with updates to training manuals and training equipment and software at no charge to Buyer. Buyer will work with Seller to establish the training guidelines and modules. Seller will conduct training at Buyer's sites of choice with no more than five (5) sites in each MTA or BTA for each category of training defined in Sections 12.1.1 through 12.1.3. Seller will provide Buyer with a training support line, during normal business hours, at no charge to Buyer. Buyer will provide Seller with a single point of contact for updates and resolutions.

12.2 TECHNICAL SUPPORT. Seller shall provide, without charge, technical support to Buyer and End Users as described on Exhibit K.

12.3 DOCUMENTATION. Seller shall supply Buyer with the documentation described below in both printed format and on magnetic storage medium. Where documentation exists in draft or preliminary form, it shall be supplied to Buyer in such draft or preliminary form, and updated as described in Section 12.4. All documentation supplied shall be in accordance with the best standards for similar Products, whether from Seller or other suppliers.

12.3.1 TECHNICAL DOCUMENTATION. Except as Seller reasonably considers to be proprietary or confidential, technical documents to be supplied include, but are not limited to: block diagrams; service manual (including theory

of operation); installation and preventive maintenance procedures; training manual; configuration guide; installation and planning guide; commercial/sales training instructions.

12.3.2 FIRMWARE. Except as Seller reasonably considers to be proprietary or confidential, Seller shall provide to Buyer a firmware manual, including general description of firmware architecture, to the extent appropriate for the level of maintenance performed by Buyer.

12.3.3 DELIVERY DATES AND REPRODUCTION. Complete sets of the documents described in Sections 12.3.1 and 12.3.2, inclusive, shall be delivered within a mutually agreed and established time schedule and in correspondence with any addition or modification to Products or the addition of new Products to this Agreement. Buyer is authorized to modify, reproduce and distribute such documents, whether in whole or in part, as Buyer sees fit, for purposes related to the operation, maintenance or business activities of its PCS business.

12.3.4 TECHNICAL BULLETINS AND NOTES. Except as Seller reasonably considers to be proprietary or confidential, Seller shall provide to Buyer, without charge, all technical bulletins and notes related to Products, whether issued periodically or aperiodically.

12.3.5 TEST AND DIAGNOSTIC MODE INFORMATION. Except as Seller reasonably considers to be proprietary or confidential, Seller shall provide the information specified at Section 2.2 concerning the technical interface to Products, including test and diagnostic mode information.

12.3.6 CUSTOMER SERVICE. Seller shall provide customer service to the extent and in the manner described in Attachment K. Further, Seller shall make a good faith effort to coordinate customer service efforts with Buyer's contractor, Wireless Data Services.

12.4 SURVIVAL AND EXTENDED TERM. Seller shall be responsible for revising and issuing its documentation and for providing Buyer with complete and up-to-date documentation as provided in Section 12.3 and for providing Buyer with technical support as provided in Section 12.2. Seller's obligations under Sections 12.2 and 12.3 and this Section 12.4 shall survive the term of this Agreement and shall end three (3) years after the delivery of the last unit of any Product under this Agreement.

13 WARRANTY AND SERVICE REPAIR

13.1 PRODUCT WARRANTY. Without reducing the scope of warranties provided by Seller elsewhere in this Agreement or that may be imposed upon Seller at law or in equity, Seller hereby represents and warrants to Buyer as follows:

13.1.1 INTER-OPERABILITY TESTING. Seller shall warrant and certify that it has tested its PCS 1900 Products with PCS 1900 network infrastructure manufactured by Northern Telecom, Ericsson, Siemens, Motorola, Nokia and Lucent, to the extent these manufacturers have a functioning PCS 1900 test system and are willing to cooperate with Seller in such compatibility testing, and that the results of such tests demonstrate proper inter-operability as of the date of testing. Seller shall periodically inform Buyer of the status of its compatibility testing and shall provide such information to Buyer when Seller introduces a new configuration Product.

13.1.2 REGULATORY APPROVALS. Seller warrants that all Products have received all necessary regulatory approvals and comply with all applicable federal and state laws, rules, regulations, and codes in existence during the term hereof (including without limitation FCC rules, regulations and requirements),.

13.1.3 COMPLIANCE. Seller warrants that all Products will work on the full PCS spectrum, Bands A through F, inclusive, except as may be specifically excluded on a product-by-product basis in Buyer's sole discretion. Seller further warrants that the Products comply with all EIA/TIA, GSM, GSM NA, PTCRB, and ETSI standards and all other mutually agreed industry specifications and standards. Seller further warrants that the Products are and will be fully Year 2000 compliant, meaning that the advent of the Year 2000 shall not adversely affect the performance, operation, or networking of any Products, with respect to date or date-dependent data or functions.

13.1.4 GOOD TITLE. Seller warrants that it has good title to the Products and the right to sell them to Buyer free of any proprietary rights of any other party, security interest, lien or any other encumbrance whatsoever.

13.1.5 OPERATIONS WARRANTY. Seller warrants that Products furnished by Seller hereunder shall be free from defects in manufacture, material, design, workmanship and title, and shall conform to published specifications at the time of original purchase. This warranty shall not apply to any Product, or part thereof, which (i) has been modified or otherwise altered other than pursuant to Seller's written instructions or written approval, (ii) is in the normal course consumed or depleted in operation or, (iii) is not properly stored, installed, used, maintained or repaired other than by

Seller-authorized repair, or, (iv) has been subjected to any other type of misuse or detrimental exposure, or has been involved in an accident.

13.1.6 If a Product fails to meet the foregoing Warranties during the warranty period, Seller shall promptly correct the failure. Any repaired or replacement part furnished hereunder shall be warranted for either the longer of (a) the remainder of the warranty period of the Products in which it is installed or (b) ninety (90) days after the repair or replacement. In the event that Seller is unable to correct the failure through either repair or replacement, Buyer shall return the Product and Seller shall refund the purchase price of the Product.

13.2 LIMITATION. SUBJECT TO SECTIONS 4, 9, 11, AND 12, THE WARRANTIES SET FORTH IN THIS SECTION 13 ARE THE ONLY WARRANTIES, EITHER EXPRESS OR IMPLIED, THAT ARE MADE BY SELLER TO BUYER AS TO THE PRODUCTS, AND ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, STATUTORY OR COMMON LAW, ARE HEREBY EXPRESSLY DISCLAIMED, INCLUDING, BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OF MERCHANTIBILITY AND FITNESS FOR A PARTICULAR PURPOSE.

13.3 END-USER WARRANTY. In addition, each Product shall come with such warranty to the End-User, as Seller shall establish as its standard End-User warranty for the Products from time to time, the current such standard warranty to the End-User being substantially in the form attached hereto as Attachment F. Under no circumstances shall the warranty period under the End-User warranty be for less than the longer of either (a) one year from the purchase of the Product or (b) ninety (90) days from the date of repair of the Product.

13.4 SERVICE REPAIR AND REPLACEMENT. Seller shall maintain one or more authorized service centers as may be necessary to provide warranty service for the Products. The authorized service centers shall be equipped to repair or exchange, at no cost to the owner of the Product, defective Products that are within the warranty period, as described above. For products requiring repair or replacement after expiration of the applicable warranty period, Seller's authorized service center shall implement an exchange and repaid policy at reasonable rates.

13.5 EXCHANGE PROGRAM. In order to minimize end-user time without Handsets in the event of warranty repairs, Seller shall support a Handset exchange program to be administered by PCS Partners or other servicer authorized by Seller and selected by Buyer (PCSP). Such support shall consist of (a) supplying an appropriate number of handsets and standard accessories to PCSP as seed stock sufficient to meet warranty replacement needs, and (b) the payment of fees to PCSP to cover repairs, refurbishing and one way standard ground freight for in-warranty

defective Seller products received from end-users. PCSP shall use all in-warranty repaired and refurbished units as replacements under the exchange program.

13.6 CONSISTENT FAILURES. Notwithstanding any disclaimer of warranties herein, where delivered Products repeatedly exhibit Defect failure rates during the warranty period with regard to any particular model of Product (i.e. any lot, batch, or other separately distinguishable group of Product sold or delivered to the End-user or remaining in inventory has more than ***of the same or similar Defect, or *** failure due to cumulative Defects), Seller and Buyer shall immediately initiate a joint program for appropriate countermeasures and, in addition to any other remedy ultimately available to Buyer under this Agreement or otherwise, Buyer shall have the option to exercise any of the following rights, individually or cumulatively:

13.6.1 COVER. Buyer may purchase substitute products from another supplier, in which case Seller shall be liable to Buyer for Buyer's increased costs, including increased operating costs, resulting from the substitute products

13.6.2 TERMINATE FOR CAUSE. Buyer may terminate this Agreement for cause; provided, however, Buyer shall deliver notice to Seller of its intent to terminate this Agreement for cause pursuant to this Section 13.6 and Seller shall be given thirty (30) days in which to completely remedy to Buyer's reasonable satisfaction the problem or problems creating the unacceptable consistent defective failure rate.

13.6.3 RETURN OF DEFECTIVE PRODUCTS. Upon notice from Buyer of a Product Defect, Seller shall issue a return authorization to Buyer within 48 hours of receipt of notice. A Defective Product may be returned directly by any Permitted Purchaser or by Buyer's distributors or retailers at Seller's expense. Seller shall accept returns even though the Product is no longer in its original point-of-sale packaging. Buyer agrees that each Defective Product is to be returned to Seller without its associated SIM. Buyer's distributors and retailers may return Defective Products for a period starting upon receipt of such Product and ending one (1) year after the last date the particular model of Product has been purchased and received by an End-User. Where Buyer elects to proceed under this Section 13.6.3, Seller shall issue an open credit memo to Buyer in the amount of the full invoice purchase price for all returned Products within thirty (30) days of return. Once repaired or replaced, the Products will be delivered with new invoices. This return policy shall continue to apply notwithstanding that Seller has discontinued the model of the Defective Products.

*Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

13.6.4 CANCELLATION OF PURCHASE ORDER. Cancel the Purchase Order, in whole or in part, and return Defective and non-Defective Products to Seller. Should Buyer exercise its option under this section, Buyer's Minimum Purchase Quantity shall be reduced by the number of units returned. That number of units returned shall also count toward Buyer's recoupment of the Product Development Fee, as set forth in Section 4.2.

13.6.5 RESHIPMENT. Require Seller to ship within 48 hours a comparable non-Defective Product to the location requested by Buyer, at Seller's expense; provided, however, such right shall be exercised by Buyer only for returns of twenty-five (25) or few units of Product.

13.6.6 DURATION OF RIGHTS. Buyer shall be entitled to exercise its rights under Section 13.6 until such time as Seller establishes to Buyer's reasonable satisfaction that it has cured the consistent failures. Provided, however, that should Buyer have exercised its rights to terminate under Section 13.6.2, Buyer shall be under no obligation to reinstate this Agreement and provided that should Buyer have exercised the remedies identified in Sections 13.6.1, Seller shall be obligated to supply alternative Products and cover Buyer's reasonable expenses, respectively, until Seller has demonstrated, through delivery of Products to Buyer, a period of three (3) consecutive months' compliance with a failure rate of *** in each delivery lot. Where Buyer elects to terminate this Agreement under Section 13.6.2 during the Minimum Purchase Term, Seller shall be liable to Buyer for Buyer's increased costs for the remainder of the Minimum Purchase Term. Where Buyer elects the right of cover under section 13.6.1, for a period of forty-five (45) days following receipt by Seller of notice of Buyer's remedy, Buyer shall provide Seller the opportunity to negotiate the supply contract necessary to effect such cover.

13.7 SURVIVAL AND TERM. The rights and warranties granted in this Section 13 shall survive the term of this Agreement and shall remain valid for the periods during which the right or warranty is provided as described in this Section 13.

14 TERMINATION; LIMITATION OF LIABILITY

14.1 DEFAULT. In the event of a material breach of this Agreement, the non-breaching party shall have the right to terminate this Agreement upon thirty (30) days prior written notice of termination to the other party, unless such breach and any intervening breaches have been cured.

14.2 BANKRUPTCY. Either party may terminate this Agreement by written notice in the event that the other party (i) applies for or consents to the appointment of, or the

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taking of possession by a receiver, custodian, trustee, or liquidator of itself or of all or a substantial part of its property, (ii) makes a general assignment for the benefit of its creditors, (iii) commences a voluntary proceeding under the Federal Bankruptcy code or under any other law relating to relief from creditors generally, or (iv) fails to contest in a timely or appropriate manner, or acquiesces in writing to, any petition filed against it in an involuntary proceeding under the Federal Bankruptcy Code or under any other law relating to relief from creditors generally, or any application for the appointment of a receiver, custodian, trustee, or liquidator of itself or of all or a substantial part of its property, or its liquidation, reorganization, dissolution, or winding-up.

14.3 LIMITATION OF LIABILITY.

14.3.1 EXCEPT FOR SELLER'S LIABILITY UNDER SECTIONS 9, 12, 13, 15, 17, AND 18, AND EXCEPT FOR SELLER'S GROSSLY NEGLIGENT OR INTENTIONALLY WRONGFUL ACTS OR OMISSIONS, THE TOTAL LIABILITY OF SELLER, ON ANY AND ALL CLAIMS, WHETHER IN CONTRACT, WARRANTY, TORT (INCLUDING NEGLIGENCE) OR OTHERWISE, ARISING OUT OF, CONNECTED WITH, OR RESULTING FROM THE PERFORMANCE OR NON-PERFORMANCE OF ANY AGREEMENT RESULTING HEREFROM OR FROM THE MANUFACTURE, SALE, DELIVERY, RESALE, REPAIR, REPLACEMENT OR USE OF THE PRODUCTS OR THE FURNISHING OF ANY SERVICE, SHALL NOT EXCEED THE PRICE ALLOCABLE TO THE PRODUCT OR SERVICE WHICH GIVES RISE TO THE CLAIM.

14.3.2 Where a remedy, including a series of optional remedies or multiple remedies, is set forth in the Agreement, those remedies shall be the sole and exclusive remedies for the breach or event for which it is specified, unless such section states that the series of remedies are not exclusive of other remedies. Where no specific remedy is provided, the non-defaulting party shall have the right to recover from the defaulting party only its direct damages arising out of that breach or event. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AGREEMENT, IN NO EVENT, WHETHER AS A RESULT OF BREACH OF CONTRACT, WARRANTY, TORT (INCLUDING BUT NOT LIMITED TO NEGLIGENCE OR INFRINGEMENT) SHALL SELLER OR BUYER BE LIABLE UNDER THIS AGREEMENT FOR ANY CONSEQUENTIAL OR INCIDENTAL DAMAGES OF ANY NATURE WHATSOEVER, INCLUDING LOST PROFITS, OF THE OTHER PARTY, REGARDLESS OF WHETHER SUCH DAMAGES ARE FORESEEABLE OR WHETHER A PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF DAMAGES.

14.4 RIGHTS OF PARTIES UPON TERMINATION BY EITHER PARTY. In the event of a termination by Buyer or Seller pursuant to the terms hereof, the parties shall make an equitable accounting of any sums due Seller for partial deliveries, such accounting to be completed within sixty (60) days following the effective date of termination, with payment by Buyer to be completed within thirty (30) days following the completion of such accounting.

Seller acknowledges and agrees that the Minimum Purchase Quantity commitment of Section 2.8 imposed upon Buyer shall be terminated in the event of any termination hereunder due to the Seller's breach of this Agreement.

14.5 OTHER GROUNDS FOR TERMINATION. Notwithstanding anything to the contrary contained elsewhere in this Agreement, this Agreement may be terminated and the obligations of the parties hereunder shall be ended under the following circumstances:

(a) Buyer and Seller mutually agree in writing to terminate this Agreement;

(b) Buyer determines that the development of Products is more than 6 months behind the development schedule set forth in Attachment J; or

(c) Buyer determines that key performance requirements (e.g., dataspeeds, etc.) are beyond the deviation or tolerance standards set forth in this Agreement or in any Attachments hereto.

15 CONFIDENTIALITY

15.1 CONFIDENTIAL INFORMATION DEFINED. During the term of this Agreement and thereafter it may be necessary for the parties to mutually exchange certain information, data and material of a proprietary nature whether relating to marketing, technical, financial and other matters. To be treated as confidential hereunder ("Confidential Information"), information disclosed in writing shall be marked as confidential or proprietary, and the disclosing party shall indicate the confidential nature of verbal information at the time of disclosure. All Confidential Information shall:

15.1.1 BE HELD IN CONFIDENCE. Be received and retained in the strictest confidence by the parties and will be deemed to be proprietary information of the disclosing party and the recipient(s) of such Confidential Information agree(s) that it (or they) will not disclose it to third parties and further, will treat such information, data or material as proprietary using the same degree of care that it (or they) would normally use in protecting its (or their) own proprietary information.

15.1.2 LIMITED USE. Be used by the parties hereto solely for the purpose of implementing this Agreement.

15.2 EXCEPTIONS. The provisions of Section 15.1 above shall not apply to any Confidential Information which:

(a) Is known by the receiving party prior to the date hereof, and is not subject to or in violation of an obligation of confidentiality;

(b) Is or becomes public knowledge other than by default of the receiving party;

(c) Is obtained by the receiving party from a bona-fide third party having free right of disposal of such information;

(d) Is wholly and independently developed by receiving party without reference to the Confidential Information; or

(e) The receiving party is required to disclose pursuant to a valid order of a court or other governmental body or any political subdivision thereof, provided, however, that the recipient of the information shall first have given notice to the disclosing party and made a reasonable effort to obtain a protective order requiring that the information and/or documents so disclosed be used only for the purposes for which the order was issued.

15.3 SURVIVAL. This Section 15 shall survive any termination of this Agreement for a period of two (2) years.

16 FORCE MAJEURE

16.1 FORCE MAJEURE. Neither of the parties hereto shall be liable for any damages or penalty for delay in performance of its obligations under this Agreement when such delay is due to acts of God, acts of civil or military authority, fires, floods, epidemics, war or riots, industry-wide strikes, lockouts or other labor disputes, , or any other causes beyond the reasonable control of such party. The party so affected shall, upon giving prompt written notice to the other party of the delay and the cause therefore, be excused from performance to the extent of the prevention, restriction or interference; provided, however, that the party so affected shall use reasonable efforts to avoid or remove such causes of nonperformance and shall continue performance hereunder with the utmost dispatch whenever such causes are removed. In the event of Force Majeure delays, the time for performance shall be extended by mutual agreement of the parties as

provided above, but in no case shall the extension exceed a day-for-day extension based upon the duration of the act of Force Majeure.

16.2 BUYER'S RIGHT TO TERMINATE FOR FORCE MAJEURE. Should Force Majeure prevent Seller from timely performing under this Agreement, where the Force Majeure delays Seller's performance by such time that, in Buyer's reasonable judgment, Buyer has lost the benefit of the bargain or where the delay is such that Buyer must reasonably look to substitute supplies to protect Buyer's position, Buyer has the right to terminate this Agreement, notwithstanding the provisions of Section 18.1.

16.3 SELLER'S RIGHT TO TERMINATE FOR FORCE MAJEURE. Should Force Majeure prevent Buyer's performance under this Agreement for a period of more than six (6) months, Seller has the right to terminate this Agreement, notwithstanding the provisions of Section 16.1.

17 PRODUCT LIABILITY INDEMNIFICATION

Notwithstanding anything to the contrary contained herein, Seller agrees to defend, hold harmless and indemnify Buyer, its subsidiaries and Affiliates, and its and their officers, agents and employees, from and against any damages, claims, demands, liabilities and expenses (including reasonable attorneys' fees) that arise out of, or result from, the death or bodily injury to, or damage to tangible property of any third party resulting (including Seller's employees) from the design, manufacture, or use of a Product, whether or not resulting from a Defect, produced by Seller or Seller's affiliate. Seller shall pay all costs, damages and reasonable attorneys' fees that a court awards as a result of such claim provided that: (i) Seller has sole control of the defense and related settlement negotiations; (ii) Buyer provides Seller with assistance, information and authority reasonably necessary for Seller to perform its obligations under this Section 17; and (iii) Buyer notifies Seller in writing within thirty (30) days of the discovery of the claim. Seller shall not be responsible for any settlement made without its consent. Buyer shall not be required to admit any liability either to obtain Seller's compliance with the indemnification provisions of this Section or for any other reason.

18 INTELLECTUAL PROPERTY INDEMNIFICATION

18.1 Seller warrants that the Products furnished hereunder shall be delivered free of any rightful claim of any third party for infringement of any patent, copyright, trademark, trade secret, or other intellectual property right. If Buyer notifies Seller with thirty (30) days of the receipt of any claim that the Products infringes a patent, copyright, trademark, trade secret, or other intellectual property right, and gives Seller information assistance and exclusive authority to settle and defend such claim, Seller at its own expense shall indemnify, defend, and hold harmless

Buyer, or may settle, any suit or proceeding against Buyer so far as based on a claimed infringement which breaches this warranty. If, in any such suit arising from such claim, the continued use of the Products for the purpose intended is enjoined by any court of competent jurisdiction, Seller shall, at its expense and option, either: (i) procure for Buyer the right to continue using the Products, or (ii) modify the Products so that they become non-infringing, or (iii) replace the Products or portions thereof so that they become non-infringing, or (iv) if none of (i), (ii), or (iii) can be accomplished within a reasonable period, accept the return of the Products and refund the purchase price. The foregoing states the entire liability of Seller for patent, copyright, trademark, trade secret or other intellectual property right infringement by the Products and is subject to any limitation of total liability set forth in this Contract. Buyer shall not be required to admit any liability either to obtain Seller's compliance with the indemnification provisions of this Section or for any other reason.

18.2 The preceding subsection 18.1 shall not apply to: (i) any portion of the Products that is manufactured to Buyer's design, provided that the claim of infringement arose out of Buyer's design or (ii) the use of the Products for a purpose not intended or in conjunction with any other apparatus or material not supplied by Seller to the extent that such conjoined use causes the alleged infringement. As to any portion of the Products or use described in the preceding sentence, Seller assumes no liability whatsoever for patent, copyright, trademark, trade secrets, or intellectual property rights infringement.

18.3 Seller will not be responsible for any compromise or settlement made without its written consent.

19 DISPUTE RESOLUTION

19.1 INTERNAL ESCALATION. In the event that a dispute arises over the interpretation or application of any provision of this Agreement or the grounds for termination hereof, any party may request that the parties meet within ten (10) days of such request and seek to resolve the dispute by negotiation of the appropriate officers of each party, with the request for resolution being passed to each officer at the next higher level of authority, in turn. Such meetings shall be attended by individuals with decision-making authority, to attempt in good faith to negotiate a resolution of the dispute prior to pursuing other available remedies. If, within ten (10) days after the first such meeting, the parties have not succeeded in negotiating a resolution of the dispute, or if it has not been possible to schedule a meeting within ten (10) days following request thereof by a party, a party may request that such dispute be mediated in accordance with Subsection 19.2. Notwithstanding anything to the contrary contained in the foregoing, any disputes with respect to intellectual property rights shall be submitted to the courts and not

subject to the provisions of Subsection 19.2, unless otherwise agreed by both Buyer and Seller.

19.2 MEDIATION. If the attempts to resolve a dispute described in Subsection 19.1 fail, then such dispute will be mediated by a mutually acceptable mediator to be chosen by Seller and Buyer within twenty (20) days after written notice by either party demanding mediation. A party may not unreasonably withhold consent to the selection of a mediator, and Seller and Buyer shall share the costs of mediation equally. Each party shall pay its own attorneys' fees. By mutual agreement, however, Seller and Buyer may postpone mediation until each has completed some specified but limited discovery regarding the dispute. The parties may also agree to replace mediation with some other form of alternate dispute resolution, such as neutral fact-finding or mini-trial.

19.3 ARBITRATION OF DISPUTES. Any controversy or claim arising out of or relating to this Agreement for the breach hereof which cannot be settled by the parties pursuant to Section 19.1 and 19.2, shall be settled by arbitration in accordance with the commercial arbitration rules of the American Arbitration Association as set forth herein.

19.3.1 SELECTION OF ARBITRATORS. Each party may select one arbitrator. Selection shall be completed within ten (10) days of the receipt of a demand for arbitration. If either party fails to select an arbitrator within such ten (10) day period, the one selected shall act as sole arbitrator. If two (2) arbitrators have been selected, the two arbitrators selected shall select a third within fifteen (15) days after their selection. If they fail to do so, the third arbitrator shall be selected by the American Arbitration Association. The arbitrators shall set a date of hearing no later than sixty (60) days from the date all arbitrators have been selected and shall enter a decision within thirty (30) days at the end of the proceeding

19.3.2 LANGUAGE. All proceedings shall be conducted in the English language.

19.3.3 LOCATION. The arbitration shall take place at a location to be agreed upon by the parties. If the parties are unable to agree, the arbitration shall be in Bellevue, or Seattle, Washington, as designated by Buyer.

19.3.4 FRCP TO APPLY. In any such arbitration proceeding the arbitrators shall adopt and apply the provisions of the Federal Rules of Civil Procedure relating to discovery so that each party shall allow and may obtain discovery of any matter not privileged which is relevant to the subject matter involved in the arbitration to the same extent as if such arbitration were a civil action pending in a United States District Court; provided, however, that each party shall be entitled to no more than four (4)

depositions upon oral examination of no more than one (1) day in length each.

19.3.5 FINAL AWARD. The award of any arbitration shall be final, conclusive and binding on the parties hereto.

19.3.6 REMEDY. The arbitrators may award any legal or equitable remedy. The arbitration award shall include an award of reasonable attorney's fees, in the amount of such fees, to the prevailing party. Judgment upon any arbitration award may be entered and enforced in any court of competent jurisdiction.

19.3.7 INJUNCTIVE RELIEF. Either party to an arbitration hereunder may bring an action for injunctive relief against the other party if such action is necessary to preserve jurisdiction of the arbitrators or to maintain status quo pending the arbitrators' decision. Any such action called pursuant to this paragraph shall be discontinued upon assumption of jurisdiction by the arbitrators and their opportunity to consider the request for equitable relief pending final decision in the arbitration.

19.4 CONTINUE TO PERFORM. The parties shall continue to perform all obligations under the Agreement pending the above-described dispute resolution proceedings, subject to full reservation of rights at law or under this Agreement.

19.5 CHOICE OF LAW. THIS AGREEMENT SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF WASHINGTON, WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAW THEREOF.

20 NON-EXCLUSIVE AGREEMENT

This Agreement is a nonexclusive agreement. Buyer expressly reserves the right to contract with others for any of the goods or services it may require, including those that may duplicate Products.

21 INSURANCE

21.1 SELLER TO MAINTAIN. Seller shall maintain and keep in force all risk insurance, in form and substance and with insurers reasonably satisfactory to Buyer, covering all Products delivered to Buyer the risk of loss to which has not passed to Buyer, and shall furnish Buyer with proof that such insurance has been obtained and is in force.

21.2 LEVEL OF INSURANCE. Seller shall at all times while performing services on Buyer's premises carry insurance with limits not less than the limits described as follows:

(a) Employer's General Liability: Limits ***.

(b) Comprehensive General Public Liability: *** single limit bodily injury and property damage combined; such coverage shall include a broad form liability rider, completed operations coverage rider and contractual liability rider.

(c) An umbrella policy: with *** single limit bodily injury and property damage combined.

(d) Workmen's Compensation: maintained at least at the level required by statute in the states in which Seller is to perform work under this Agreement.

21.3 CERTIFICATES OF INSURANCE. Seller shall provide Buyer with certificates of insurance (i) evidencing the insurance to be carried under this Article 21, naming the Buyer as an additional insured and (ii) including provisions that such insurance policy shall not be subject to cancellation, expiration or reduction without thirty (30) days written notice to Buyer.

21.4 NO WAIVER. Notwithstanding the requirements as to insurance to be carried, the insolvency, bankruptcy or failure of any insurance company carrying insurance for either party, or failure of any such insurance company to pay claims accruing, shall not be held to waive any of the provisions of this Agreement or relieve either party from any obligations under this Agreement.

22 ASSIGNMENT

22.1 CONSENT REQUIRED. Except as otherwise expressly provided in this Agreement, no party shall have the right to assign its rights or delegate its duties under this Agreement or any Purchase Order hereunder, without the prior written consent of the other party hereto, which consent shall not be unreasonably withheld. Notwithstanding the foregoing, Buyer may assign its rights and obligations hereunder to (1) any corporation resulting from any merger or other reorganization to which Buyer is a party, (2) any corporation, partnership, association, or other person or entity to which Buyer may transfer all or substantially all of its assets or business existing at such time, or (3) any entity which controls, is controlled by, or under common control with Buyer.

22.2 INVALID WITHOUT COMPLIANCE. Any attempted assignment or delegation in contravention of this Section 22 shall be void and of no effect and shall be

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grounds for immediate termination by the non-breaching party, for cause, as provided in Section 12 hereof.

22.3 ASSIGNS. Subject to the provisions of Section 22.1 above, this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns, if any, of the parties hereto.

23 NOTICES

Except as otherwise provided in this Agreement, or applicable Purchase Order, all notices or other communications hereunder shall be deemed to have been duly given when made in writing and mailed by certified mail, return receipt request, facsimile transmission upon confirmation of receipt, overnight courier or hand delivery to the parties at the addresses set forth below or at such other addresses as may be designated by the parties in writing:

To: Seller:

NOVATEL INC.
Attn: Greg Robins
9360 Towne Center Drive, Suite 110
San Diego, CA 92122
Phone: 858-320-8813
Fax: 858-784-0626

To: Buyer:

VoiceStream Wireless Corporation
Attn: David A. Miller
Vice President of Legal Affairs
3650 131st Ave. SE, Suite 200
Bellevue WA 98006

with a copy, which shall not constitute notice, to:

Attn: Stuart Funk
Director of Contracts and Supplier Relations
3650 131st Ave. SE, Suite 200
Bellevue WA 98006

24 PUBLICITY

Except with respect to Co-Op Advertising (for which Buyer is allowed to use Seller's name in accordance with Buyer's guidelines), Seller shall submit to Buyer and Buyer

shall submit to Seller, as the case may be, all advertising, sales promotion, press releases and other publicity relating to the subject matter of this Agreement wherein Buyer's or Seller's name or names (including the names of Affiliates) are mentioned or language, signs, markings or symbols are used from which the connection of a Buyer's or Seller's name or names therewith may, in Buyer's or Seller's judgment, as applicable, be reasonably inferred or implied. Seller or Buyer, as applicable, shall not publish or use such advertising, sales promotion, press release or publicity matter without Buyer's Seller's, as applicable, prior written approval, which approval may be withheld or delayed for any or no reason.

25 COMPLIANCE WITH LAWS; GOVERNING LAW

Each party shall comply with all applicable federal, state and local laws, regulations and codes, including the procurement of permits and licenses when needed, in the performance of this Agreement. Each party shall indemnify the other party against any loss or damage that may be sustained by reason of such party's failure to comply with such federal, state and local laws, regulations and codes. This Agreement shall be construed and enforced in accordance with the laws of the State of Washington, without regard to the conflict of laws of Washington or any other state.

26 WAIVERS OF DEFAULT

Waiver by a party of any default by another party shall not be deemed a waiver by the non-defaulting party of any other default. Failure of a party to exercise a right or remedy shall not be deemed a waiver of that right or remedy.

27 AMENDMENTS

No provisions of this Agreement or any Purchase Order shall be deemed waived, amended or modified by a party, unless such waiver, amendment or modification is in writing and signed by the authorized representative of the party against whom it is sought to enforce such waiver, amendment or modification.

28 ORDER OF PRECEDENCE

During the Term, Buyer's purchase of Products from Seller shall be deemed to be purchased under the terms and conditions of this Agreement. The terms and conditions of Buyer's Purchase Order, Seller's acknowledgments, invoices or any other writings by either party which differ from the terms hereunder shall not be effective unless specifically accepted in writing by amendment to this Agreement made separate and apart from said terms and conditions and signed by all of the parties to this Agreement. In the event of any conflict or inconsistency among the provisions of this Agreement and the

documents attached and incorporated herein, such conflict or inconsistency shall be resolved, by giving precedence to this Agreement and thereafter to the Attachments.

29 HEADINGS

The section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

30 SEVERABILITY

If any provision or any part of a provision of this Agreement shall be invalid or unenforceable, such invalidity or unenforceability shall not invalidate or render unenforceable the entire Agreement, but rather the entire provision or the Agreement shall be construed as if not containing the particular invalid or unenforceable provision or provisions, and the rights and obligations of the parties shall be construed and enforced accordingly, provided, that the deletion of such provision does not change the intent of the Agreement.

31 SURVIVAL

The provisions contained in this Agreement that by their sense and context are intended to survive the cancellation or termination of this Agreement or any Purchase Order hereunder shall survive such Cancellation and termination.

32 LICENSE

Except as specifically provided in Section 2 hereof, no licenses, express or implied, under any patents, copyrights, trademarks or trade secrets are granted by Buyer or Seller to the other hereunder.

33 PARTY RELATIONSHIP

It is expressly understood that the parties intend by this Agreement to establish the relationship of independent contractors. No party shall have any authority to create or assume in the name of or on behalf of the other party any obligation, express or implied, nor to act or to purport to act as the agent or legally empowered representative of the other party hereto for any purpose whatsoever.

34 CONTRACT/TARGET DATES

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Performance of this Agreement will also be subject to Seller working towards completion of tasks subject to agreed target and contract completion dates, set out in Attachment J.

35 COUNTERPARTS

This Agreement may be executed in two (2) separate counterparts, each of which shall be deemed an original and both of which taken together shall constitute one and the same instrument.

36 ATTACHMENTS AND INCORPORATION

36.1 INCORPORATION. The following documents attached hereto are incorporated herein by reference and made a part of this Agreement with the same force and effect as though set forth in their entirety herein (such documents together with this Agreement are herein referred to as the "Agreement").

ATTACHMENT	DESCRIPTION
Attachment A-1	Description of Product 1 (specifications)
Attachment A-2	Description of Product 2 (specifications)
Attachment A-3	Description of Product 3 (specifications)
Attachment B	Dates for Completion of Attachments
Attachment C	Prices
Attachment D	Sample Testing Protocol
Attachment E	Acceptance Test Procedures
Attachment F	End-user warranty
Attachment G	Database Format
Attachment H	Advertising Display Material
Attachment I	Return Policy
Attachment J	GPRS Development Schedule
Attachment K	Technical Support

37 ENTIRE AGREEMENT

This Agreement constitutes the entire agreement between the parties with respect to the subject matter thereof. All prior agreements, representations, statements, negotiations, understandings and undertakings are superseded hereby.

IN WITNESS HEREOF, THE PARTIES HEREBY EXECUTE THIS AGREEMENT BELOW.

SELLER:	BUYER:
Novatel Wireless Inc., a Delaware Corporation	VoiceStream Wireless Corporation a Delaware Corporation
/s/ - ---------- By:	/s/ ---------- By:
- ---------- Name: [Print]	Cole Brodman ---------- Name: [Print]
Title: ----------	Title: ----------

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Attachment A-1
VoiceStream Wireless Corporation/Novatel Inc.

ATTACHMENT A-1 PRODUCT 1 - GPRS - PCS PC CARD

Overview:

***

Features:

***

Specifications:

***

*Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

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Attachment A-2
VoiceStream Wireless Corporation/Novatel Inc.

ATTACHMENT A-2 PRODUCT 2 - GPRS - PCS PC CARD 8-SLOT

Overview:

***

Features:

***

Specifications:

***

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Attachment A-3
VoiceStream Wireless Corporation/Novatel Inc.

ATTACHMENT A-3 PRODUCT 3 -- GPRS - GSM/PCS PC CARD 900/1900

Overview:

***

Features:

***

Specifications:

***

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***

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Attachment B
VoiceStream Wireless Corporation/Novatel Inc.

ATTACHMENT B DATES FOR COMPLETION OF ATTACHMENTS

ATTACHMENT	DESCRIPTION	Completion Date
Attachment A-1	Description of Product 1 (specifications)	***
Attachment A-2	Description of Product 2 (specifications)	***
Attachment A-3	Description of Product 3 (specifications)	***
Attachment B	Dates for Completion of Attachments	***
Attachment C	Prices	***
Attachment D	Sample Testing Protocol	***
Attachment E	Acceptance Test Procedures	***
Attachment F	End-user warranty	***
Attachment G	Database Format	***
Attachment H	Advertising Display Material	***
Attachment I	Return Policy	***
Attachment J	GPRS Development Schedule	***
Attachment K	Technical Support	***

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Attachment C
VoiceStream Wireless Corporation/Novatel Inc.

ATTACHMENT C PRICES

Net Price* to Buyer shall be determined by adding the Base Price plus all applicable adjustments as set forth below:

BASE PRICE

THE NOT-TO-EXCEED PRICE FOR PRODUCTS 1 THROUGH 3 AS DEFINED IN ATTACHMENTS A-1 THROUGH A-3 SHALL BE ***.

Prices charged in the future may be adjusted downward to the best prevailing market price at the time of shipment in accordance with the *** section of this agreement.

ADJUSTMENTS TO PRICE

SECTION NUMBER	SUBJECT	UPCHARGE APPLIED TO ALL PRODUCTS	UPCHARGE APPLIED TO AFFECTED PRODUCTS
2.6.4	***		***
2.7	***	***	
2.11.1	***	***	
2.15.2	***		***
2.20	***	***	
4.3	***	***	
5.5	***	***	
9.6	***		***
12.1.2	***	***	
12.1.3	***	***	
12.2.1	***	***	
12.3.1	***	***	
12.3.2	***	***	
12.3.4	***	***	
12.3.5	***	***	

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12.3.6	***	***
Attachments A-1 through A-3	***	***

****

ACCESSORY PRICES

No accessories are currently contemplated.

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Attachment D
VoiceStream Wireless Corporation/Novatel Inc.

ATTACHMENT D SAMPLE TESTING PROTOCOL

***

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ACCEPTANCE SAMPLE TESTING

		NUMBER OF PRODUCTS FOUND IN SAMPLE QUANTITY WITH A MAJOR DEFECT	
LOT SIZE	SAMPLE QUANTITY	ACCEPT IF THIS NUMBER OR FEWER ARE FOUND	REJECT IF THIS NUMBER OR MORE ARE FOUND
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***

Notwithstanding anything to the contrary set forth herein below, three Minor Defects (as defined in the Defect Categorization for AQL Testing table set forth herein below) of Handset Products shall also be deemed to constitute a Major Defect and contribute to the acceptance or rejection of a lot as provided in the table, rounded downward (i.e., five (5) Minor Defects should be counted as one (1) Major Defect, while six (6) Minor Defects shall be counted as two (2) Major Defects).

Major and Minor Defects are determined on a per-Product basis (i.e., a single unit of Product with two (2) Major Defects is counted only as a single Major Defect for the purpose of acceptance or rejection of a lot).

Should Buyer reject a lot based upon sample testing in accordance with this Attachment E, Seller shall have the option to perform 100% testing of the lot, at Seller's sole expense, at Buyer's premises or elsewhere with Buyer having the right of observation of the tests and may re-submit the lot (less any defective units) to Buyer. Seller agrees that Buyer may then re-sample test the re-submitted lot, and Buyer may accept or reject such lot based on the testing criteria set forth above.

Seller shall provide Buyer with Product specifications, including pass/fail limits on parameters.

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DEFECT CATEGORIZATION FOR AQL TESTING

DEFECT TYPE	MAJOR DEFECT	MINOR DEFECT
ESN does not match declared ESN	X	
Shipping container seriously damaged		X
Shipping list inconsistent with Purchase Order		X
Visual assembly defect, not repaired, per Seller's workmanship standards		X
Mechanical part missing, damaged or broken, but not restricting product integration		X
Connectors damaged or not functional	X	
Failure to pass Seller's Product test program	X	
Foreign material on the Product	X	
Display damaged or inoperable	X	
Failure to conform with the PCS 1900 specifications or Seller's Product tolerances	X	

Attachment E
VoiceStream Wireless Corporation/Novatel Inc.

ATTACHMENT E ACCEPTANCE TEST PROCEDURE

Pending
(To be jointly developed by the Parties)

Attachment F
VoiceStream Wireless Corporation/Novatel Inc.

ATTACHMENT F WARRANTY

Novatel warrants for a period either of the longer of 1 year from delivery at the customer's location or ninety days after repair or replacement that its Products are free from defects in material and workmanship, conform to Novatel specifications and that the software shall be free from errors which materially affect performance. THESE WARRANTIES ARE EXPRESSLY IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, ALL IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. NOVATEL WIRELESS SHALL IN NO EVENT BE LIABLE FOR SPECIAL, INDIRECT, INCIDENTAL, OR CONSEQUENTIAL DAMAGES, OF ANY KIND OR NATURE DUE TO ANY CAUSE.

Novatel's obligations are limited to correction of such failure, repair or replacement and are conditioned upon the Product having been maintained in accordance with Novatel specifications and the Product not having been modified by any party other than Novatel except as expressly permitted in writing.

The foregoing warranties do not extend to (i) nonconformities, defects or errors in the Product due to accident, abuse, misuse or negligent use of the Product or use in other than a normal and customary manner, environmental conditions not conforming to Novatel's specifications, or failure to follow prescribed operating maintenance procedures, (ii) defects, errors or nonconformities in the Product due to modifications, alterations, additions or Product changes not made or authorized to be made by Novatel, (iii) normal wear and tear, or (iv) damage caused by force of nature or act of any third party.

Attachment G
VoiceStream Wireless Corporation/Novatel Inc.

ATTACHMENT G DATABASE FORMAT

(To be supplied by Novatel)

Attachment H
VoiceStream Wireless Corporation/Novatel Inc.

ATTACHMENT H ADVERTISING DISPLAY MATERIAL

(To be supplied by Novatel)

Attachment I
VoiceStream Wireless Corporation/Novatel Inc.

ATTACHMENT I RETURN POLICY

Recognizing that product sold to our customers is done so in good faith, the return of stock is considered contrary to the original purchase terms. However, at your request, Seller will consider the return of customer's inventory under certain market conditions. Seller will only consider credit returns if our customer has demonstrated active promotion and proper positioning of our product.

This agreement is necessitated by the cost prohibitive nature of stock returns and covers the blanket guidelines for processing a return. As a partner with Seller interested in growing our relationship and respective businesses, customers are asked to share the cost of this burden.

Note that each request for return must be specifically agreed to by the Seller customer representative and Seller management. To obtain approval for a specific restock return for credit, a customer signed agreement in accordance with the following return guidelines is required:

The product must be in current production and directly purchased by Buyer within the last 90 days. If product is determined to been purchased from other suppliers, product will be returned to customer.

The product must be in new, immediate resoluble condition including original packaging and master cartons.

***

A return authorization will be provided by your sales representative. It will be valid for 30 days from issuance.

Stock is to be returned to the Seller San Diego, California, facility.

No custom products are returnable under this policy.

Buyer shall pay freight on returns.

Credit will be provided to customer's account within thirty (30) days.

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Attachment J
VoiceStream Wireless Corporation/Novatel Inc.

ATTACHMENT J GPRS DEVELOPMENT SCHEDULE

THE FOLLOWING SCHEDULE IS CONTINGENT UPON THE OPERABILITY AND COMMERCIAL AVAILABILITY OF A NORTH AMERICAN GSM 1900 NETWORK.

GPRS DEVELOPMENT SCHEDULE:

	14.4KBPS	43.3KBPS	56KBPS
PROTOTYPE QUANTITY	10	20	100
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***

GPRS PC CARD PRODUCT DEVELOPMENT MILESTONES:

FIRST 1 SLOT ENGINEERING SAMPLES: ***
INDUSTRIAL DESIGN COMPLETE: ***
ALPHA TEST BEGINS IN PC CARD FORM FACTOR: ***
FCC CERTIFICATION BEGINS: ***
PILOT RUN: ***
BETA TEST BEGINS : ***
CARRIER CERTIFICATION BEGINS: ***
RELEASE TO MANUFACTURING: ***
FIRST PRODUCTION UNITS: ***

TARGET DEVELOPMENT SCHEDULE FOR 115KBPS GPRS*:

115KBPS
SCHEDULE PROTOTYPE-12 MONTHS ARO
VOLUME-14 MONTHS ARO
CONTINGENT ON SOURCE OF
SILICON

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CONFIGURATION	8 RECEIVE, 2 TRANSMIT
SPEED	115KBPS DOWNLOAD
	28.8KBPS UPLOAD

* Project totally dependent on delivery of silicon capable of this configuration.

Attachment K
VoiceStream Wireless Corporation/Novatel

ATTACHMENT K TECHNICAL SUPPORT

TECHNICAL SUPPORT

Technical Support for the Novatel GSM/GPRS 900/1900 Mhz PC Card delivered to Voicestream or a Voicestream Designated Channel Partner will be managed via a three-tier Technical Support infrastructure and process as follows:

LEVEL ONE TECHNICAL SUPPORT

Level one Technical Support will be provided by Voicestream or Voicestream Designated Channel Partner to their direct and indirect customers. Level one support is defined as calls* originating from Voicestream or Voicestream Designated Channel Partner customers, resellers or distributors regarding Voicestream or Voicestream Designated Channel Partner Service, Wireless Service Providers, Novatel GPRS PC Card products including but not limited to pre and post sale inquiries concerning the basic operation of the hardware and software, functionality, interoperability and capabilities of those products and services.

For calls regarding the Novatel GPRS PC Card products, Voicestream or Voicestream Designated Channel Partner will make every attempt to answer customer questions and resolve issues using available tools, documentation, test equipment and other materials used to support the Novatel GPRS PC Card products (see training section below). If the customer question/issue regarding the Novatel GPRS PC Card product cannot be resolved by Voicestream or Voicestream Designated Channel Partner support personnel to the customers' satisfaction, the issue will be forwarded to Novatel level two Technical Support for further investigation and resolution.

*Calls include phone calls, e-mail, web-based inquiries, faxes and letters.

LEVEL TWO TECHNICAL SUPPORT

Level two Technical Support will be provided by Novatel Wireless support staff directly to Voicestream or Voicestream Designated Channel Partner level one support personnel to assist in the resolution of open customer issues that have not been resolved to Voicestream or Voicestream Designated Channel Partner customers satisfaction during a level one support call. Voicestream or Voicestream Designated Channel Partner will have direct access to designated support staff within the Novatel Wireless support organization for this purpose. A direct line of communication between the two organizations will be established and Novatel

Wireless support technicians will be available during normal Voicestream or Voicestream Designated Channel Partner Technical Support operation hours to assist in resolution of customer problems. Novatel Wireless support engineering will work directly with Voicestream or Voicestream Designated Channel Partner support staff to resolve issues and answer questions, this may require Voicestream or Voicestream Designated Channel Partner support staff to gather additional information and provide system information or test results back to Novatel support staff to aid in the definition and resolution of the problem. It will be Voicestream or Voicestream Designated Channel Partner support staff's responsibility to communicate directly with the end-user customer. Problems that are not resolved *** or problems that are flagged as sensitive/mission critical will be escalated to level three Technical Support for final resolution.

LEVEL THREE TECHNICAL SUPPORT (ESCALATION)

Level three Technical Support will be provided by Novatel support and system engineering staff to resolve issues that cannot be satisfactorily resolved by level one and level two support personnel. Level three support will handle all Voicestream or Voicestream Designated Channel Partner product escalations issues including unresolved support calls and will work directly with Novatel engineering staff to resolve those issues.

TECHNICAL SUPPORT TRAINING

Technical Support training and documentation for the Novatel GPRS PC Card Product will be provided to Voicestream or Voicestream Designated Channel Partner level one support staff by Novatel Wireless. Voicestream or Voicestream Designated Channel Partner support staff will receive training on the general use, functionality, operation and compatibility of the Novatel GPRS PC Card products. In addition all support related documentation, training materials, notes, FAQ's, and web based support materials will be made available to Voicestream or Voicestream Designated Channel Partner for their use in supporting these products.

*Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

Exhibit 21

NOVATEL WIRELESS, INC.

Subsidiaries of the Registrant

Subsidiary Name	Jurisdiction
Novatel Wireless Solutions, Inc.	Delaware
Novatel Wireless Technologies, Ltd.	Alberta, Canada

EXHIBIT 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our report and to all references to our Firm included in or made a part of this registration statement.

/s/ Arthur Andersen LLP

San Diego, California
July 26, 2000

YEAR	YEAR	YEAR	3-MOS	3-MOS
DEC-31-1997	DEC-31-1998	DEC-31-1999	DEC-31-1999	DEC-31-2000
JAN-01-1997	JAN-01-1998	JAN-01-1999	JAN-01-1999	JAN-01-2000
DEC-31-1997	DEC-31-1998	DEC-31-1999	MAR-31-1999	MAR-31-2000
0	3,497	25,455	0	14,065
0	296	0	0	0
0	607	1,345	0	2,753
0	(44)	(181)	0	(212)
0	656	4,706	0	6,758
0	5,280	36,718	0	29,030
0	0	904	1,346	0	2,280
0	0	0	0	0
0	6,184	38,118	0	31,673
0	1,897	20,949	0	20,635
0	0	0	0	0	0
0	0	0	0	0
0	14,812	43,805	0	44,833
0	3	3	0	3
0	0	0	0	0
0	6,184	38,118	0	31,673
3,354	5,378	9,556	1,273	6,837
3,354	5,378	9,556	1,273	6,837
1,136	3,433	11,955	1,076	7,865
6,717	7,629	12,860	1,726	5,461
0	0	10	(1)	17
0	0	0	0	0
0	0	3,267	0	11
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
(4,476)	(5,506)	(18,469)	(1,513)	(6,268)
(1.54)	(2.06)	(6.13)	(.58)	(2.21)
(1.54)	(2.06)	(6.13)	(.58)	(2.21)