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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## FORM 8-K

CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

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Date of Report (Date of earliest event reported): March 27, 2003

### NOVATEL WIRELESS, INC.

(Exact name of Registrant as specified in its charter)

DELAWARE  
(State or other jurisdiction or  
incorporation or organization)

COMMISSION FILE:  
0-31659

86-0824673  
(I.R.S. Employer  
Identification No.)

9360 Towne Centre Drive, Suite 110  
San Diego, CA 92121  
(Address of principal executive offices)

Registrant's telephone number, including area code: (858) 320-8800

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### ITEM 5. OTHER EVENTS

#### **Private Placement Transaction**

##### **General**

On March 12, 2003, the Company entered into a series of agreements with a group of investors (the “Investors”) in connection with the private placement of \$3.25 million of convertible debt and equity securities for cash, and the issuance of up to \$3.505 of equity securities in satisfaction of outstanding third-party obligations. As a result of these agreements, the Company completed, or agreed to complete subject to the stockholder approval to be sought at a special meeting of stockholders to be held on April 30, 2003, the following transactions which are collectively referred to as the “Private Placement Transactions”:

- The Company issued for cash \$1.2 million aggregate principal amount of secured subordinated convertible promissory notes (the “Initial Convertible Notes”) convertible, subject to stockholder approval, into newly authorized shares of the Company’s Series B Convertible Preferred Stock (“Series B Stock”) and Common Stock, and warrants to purchase an aggregate of 857,143 shares of Common Stock;
- The Company agreed to issue for cash \$2.05 million of additional shares of Series B Stock and warrants to purchase an aggregate of 1,983,929 shares of Common Stock, subject to stockholder approval; and
- The Company agreed (i) to issue \$3.505 aggregate principal amount of secured subordinated convertible promissory notes (the “Additional Convertible Notes,”) to the Investors in satisfaction of presently outstanding third-party obligations to be acquired by the Investors from Sanmina-SCI Corporation (the “Sanmina Obligations”), and (ii) subsequently to issue up to \$3.505 million of additional shares of Series B Stock in repayment of the Additional Convertible Notes, subject to stockholder approval. The purchase of the Sanmina Obligations by the Investors is conditioned upon the Company receiving stockholder approval for the Private Placement Transactions.

Certain of the principal documents evidencing the Private Placement Transactions are filed as exhibits to this current report on Form 8-K.

### ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

EXHIBIT NO.	DESCRIPTION
4.1	Form of Securities Purchase Agreement

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EXHIBIT NO.	DESCRIPTION
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4.7	Form of Certificate of Designation with respect to Series B Stock
4.8	Form of Registration Rights Agreement
99.1	Press Release of the Registrant, dated March 13, 2003

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized,

Novatel Wireless, Inc.

Date: March 27, 2003

By: /s/ Melvin L. Flowers

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Melvin L. Flowers  
*Senior Vice President, Finance,  
Chief Financial Officer and Secretary*

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FORM OF  
SECURITIES PURCHASE AGREEMENT

BETWEEN

NOVATEL WIRELESS, INC.

AND

THE PURCHASERS LISTED ON THE SIGNATURE PAGES HERETO

MARCH 12, 2003

## SECURITIES PURCHASE AGREEMENT

This SECURITIES PURCHASE AGREEMENT (this "AGREEMENT") is made as of March 12, 2003, between NOVATEL WIRELESS, INC. (the "COMPANY"), a corporation organized under the laws of the State of Delaware, and the purchasers listed on the signature pages hereto ("PURCHASERS").

WHEREAS, the Company wishes to sell to Purchasers up to 6,755 shares of the Company's Series B Convertible Preferred Stock, \$0.001 par value (the "SERIES B PREFERRED STOCK"), together with warrants to purchase shares of common stock, on the terms and conditions hereinafter provided; and

WHEREAS, as an inducement to Purchasers to enter into this Agreement, certain executive officers and directors of the Company (the "PRINCIPAL STOCKHOLDERS") have entered into agreements with Purchasers (the "VOTING AGREEMENTS") pursuant to which, among other things, each Principal Stockholder has agreed to vote all of such Principal Stockholder's shares of the Company's capital stock in favor of the transactions contemplated hereby and has granted Horst Pudwill ("PUDWILL") an irrevocable proxy to so vote its shares; and

WHEREAS, as a further inducement to Purchasers to enter into this Agreement, certain holders of the Company's Series A Preferred Stock have entered into agreements with Purchasers (the "SERIES A VOTING AGREEMENTS") pursuant to which, among other things, each such holder has agreed to vote all of such holder's of Series A Preferred Stock in favor of certain amendments to the Certificate of Designation of the Series A Preferred Stock and has granted Pudwill an irrevocable proxy to so vote its shares;

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants contained in this Agreement, the Company and Purchasers agree as follows:

1. Purchase and Sale of Securities. On the terms and subject to the conditions set forth herein:

1.1. The Company agrees to issue and sell to the Purchasers, and Purchasers agree (severally and not jointly) to purchase from the Company (in accordance with the allocation set forth under the heading "Tranche I Amount" on the signature page for each Purchaser) for an aggregate of \$1.2 Million, at the First Closing (as defined below), (i) secured subordinated convertible promissory notes in the aggregate principal amount of \$1.2 Million in substantially the form of Exhibit A hereto (the "TRANCHE I NOTES"), which shall be convertible into an aggregate Twelve Hundred (1,200) shares of Series B Preferred Stock on the terms and conditions set forth therein (the "TRANCHE I CONVERSION SHARES") and (ii) warrants to purchase an aggregate of 857,143 shares of the Company's common stock, \$0.001 par value ("COMMON STOCK") at a price of Seventy Cents (\$0.70) per share, in substantially the form of Exhibit B hereto (the "FIRST ISSUANCE WARRANTS"). One half of the First Issuance Warrants shall be allocated proportionately to the Purchasers in accordance with their percentage participation indicated on the signatures pages hereto. The remaining half of the First Issuance Warrants shall be issued to PS Capital LLC.

1.2. The Company understands and acknowledges that, following the Stockholders Meeting (as defined in Section 5.2), the Purchasers intend to purchase, from Sanmina-SCI Corporation ("SANMINA") and Sanmina Canada ULC ("SANMINA ULC") certain of Sanmina's rights (including, without limitation, the right to receive payments from the Company, but excluding Sanmina's and Sanmina ULC's warrants to purchase Company stock) under the Settlement Agreement and Mutual Release, dated January 12, 2002, by and the Company, Sanmina, and Sanmina ULC (as amended, the "SETTLEMENT AGREEMENT"), together with the Security Agreement, dated as of January 12, 2002, between the Company and Sanmina (the "SANMINA SECURITY AGREEMENT"). Such purchase shall be referred to herein as the "SANMINA PURCHASE." Each Purchaser hereby commits to the other Purchasers to contribute its allocable share (in accordance with the allocation set forth under the heading "Sanmina Tranche Percentage" on the signature page for each Purchaser) toward the Sanmina Purchase. The Company hereby consents to the Sanmina Purchase and acknowledges and agrees that, upon the consummation of the Sanmina Purchase, the Company shall no longer have any right to receive any product or inventory in exchange for such payments, and such payments shall be due and payable (pursuant to the terms of the Sanmina Notes described below) unconditionally without any obligation of Sanmina or the Purchasers or any defense or right of set off. Accordingly, at the Sanmina Closing, the Company shall (i) execute and deliver to Sanmina a mutual release of all claims; (ii) execute and deliver to the Purchasers secured promissory notes in the form of Exhibit C hereto in the aggregate principal amount equal to \$3,505,000, with a note payable to each Purchaser for the principal amount of such Purchaser's percentage share of the Sanmina Purchase (as shown under the heading "Sanmina Tranche Percentage" on the signature page for such Purchaser) times \$3.505 Million (the "SANMINA NOTES"), together with a Security Agreement in the form of Exhibit D hereto securing the obligations under the Sanmina Notes; and (iii) execute and deliver to the Purchasers and Sanmina such other documents as may be requested by the Purchasers to terminate (subject to Sanmina's concurrence and execution of required documents, where necessary) all other obligations arising out the Settlement Agreement other than the payments contemplated by the Sanmina Notes. Shares of Series B Preferred Stock issued as repayment of any portion of the Sanmina Notes are herein referred to as the "SANMINA CONVERSION SHARES." At the Sanmina Closing, Purchaser shall pay to the Company (or, at its election, cause Sanmina to repay to the Company at such time) cash in an amount equal to (i) the sum of all payments made by the Company to Sanmina under the Settlement Agreement between February 14, 2003 and the Sanmina Closing Date and (ii) amounts paid by the Company under Section 1.9 of the Tranche I Notes to the extent such amounts were used to pay Sanmina and applied toward or reduced the Purchasers' aggregate purchase price paid to Sanmina. Each Purchaser acknowledges and agrees that the Tranche I Notes and the Sanmina Notes shall be pari passu in seniority (including seniority of liens) notwithstanding any previous priority or seniority of Sanmina under the Settlement Agreement and Sanmina Security Agreement. Notwithstanding the foregoing, at the request of the Purchaser Representative, the Company and each Purchaser shall cooperate in order to restructure the transactions at the Sanmina Closing, so long as such restructuring does not cause the Company or any Purchaser to incur any additional liability or obligation or reduce the benefits to the Company or such Purchaser of the Sanmina Purchase. Without limiting the foregoing, such restructuring may include the formation of a partnership or other legal entity by the Purchasers (with ownership in accordance with the percentages indicated on the signature pages hereto)

which would consummate the Sanmina Purchase and assume from Sanmina all obligations of Sanmina under the Settlement Agreement, provided all obligations and claims of the parties under the Settlement Agreement (other than as set forth in the Sanmina Notes and the Sanmina Security Agreement) shall then be immediately cancelled and waived by the parties at the Sanmina Closing.

1.3. The Company agrees to issue and sell to Purchasers, and Purchasers agree (severally and not jointly) to purchase from the Company (in accordance with the allocation set forth under the heading "Tranche III Amount" on the signature page for each Purchaser) for an aggregate of \$2.05 Million, at the Third Closing (as defined below), (i) an additional 2,050 shares of Series B Preferred Stock, at a purchase price of One Thousand Dollars (\$1,000) per share (the "THIRD ISSUANCE SHARES," and collectively with the Tranche I Conversion Shares and the Sanmina Conversion Shares, the "SHARES"), and (ii) warrants to purchase 1,983,929 shares of Common Stock at an exercise price of Seventy Cents (\$0.70) per share, in substantially the form of Exhibit B hereto (the "THIRD ISSUANCE WARRANTS"; and, together with the First Issuance Warrants, the "WARRANTS"). The shares issuable upon exercise of the Warrants are herein referred to as the "WARRANT SHARES." The Series B Preferred Stock shall have the terms designated in the Certificate of Designation of Series B Convertible Preferred Stock attached hereto as Exhibit E hereto (the "CERTIFICATE OF DESIGNATION").

## 2. Closing; Deliveries.

2.1. First Closing. The closing of the purchase and sale of the Tranche I Notes and First Issuance Warrants (the "FIRST CLOSING") shall occur at the offices of Irell & Manella LLP ("I&M"), 1800 Avenue of the Stars, Suite 900, Los Angeles, California 90067, as soon as practicable (but not more than five (5) business days) after the satisfaction or waiver of all of the conditions to the First Closing set forth herein, or at such other place and time as the Company and Purchasers may agree. At the First Closing, the Company shall deliver to Purchasers the executed Tranche I Notes, the First Issuance Warrants and an executed Security Agreement in the form of Exhibit F hereto, and Purchasers shall deliver to the Company \$1.2 Million (less fees to be paid pursuant to Section 11.2) in immediately available funds. At the First Closing, the parties hereto will also duly execute and deliver the Registration Rights Agreement in the form of Exhibit G hereto (the "REGISTRATION RIGHTS AGREEMENT") and Purchasers shall receive (i) an opinion from Latham & Watkins LLP covering matters described in Exhibit H; (ii) the Voting Agreements in the form of Exhibit I hereto from certain officers and directors of the Company; (iii) the Series A Voting Agreements in the form of Exhibit J hereto from holders of a majority of the outstanding shares of Series A Preferred Stock and (iv) resolutions of the Board of Directors of the Company authorizing the transactions contemplated hereby, certified by the Company's secretary in form reasonably satisfactory to Purchasers. The date on which the First Closing occurs is hereinafter referred to as the "FIRST CLOSING DATE."

2.2. Sanmina Closing. The closing of the Sanmina Purchase (the "SANMINA CLOSING") shall occur at the offices of I&M at a date and time to be agreed upon between the Purchasers and Sanmina (the "SANMINA CLOSING DATE"), the which is expected to be one day following the satisfaction or waiver of all of the conditions to the Sanmina Closing set forth herein. If the Sanmina Closing is not to occur on the first day

following approval of the Shareholder Proposals the Stockholders Meeting, the Purchasers shall notify the Company at least two days prior to the anticipated Sanmina Closing Date to allow the Company to effect delivery of executed documents. At the Sanmina Closing, the Company shall execute and deliver to Purchasers and Sanmina the documents described in Section 1.2 above.

2.3. Third Closing. The closing of the purchase and sale of the Third Issuance Shares and Third Issuance Warrants (the "THIRD CLOSING") shall occur at the offices of I&M as soon as practicable (but not more than two (2) business days) after the satisfaction or waiver of all of the conditions to the Third Closing set forth herein, or at such other place and time as the Company and Purchasers may agree. At the Third Closing, the Company shall deliver to Purchasers one or more stock certificates evidencing the Third Issuance Shares and the executed Third Issuance Warrants, in each case registered in the name of the applicable Purchaser, and each Purchaser shall pay to the Company the purchase price for its Third Issuance Shares and Third Issuance Warrants (less fees to be paid pursuant to Section 11.2) by check or wire transfer. At the Third Closing, the parties will also duly execute and deliver the Registration Rights Agreement and Purchasers shall receive (i) an opinion from Latham & Watkins LLP covering matters described in Exhibit K and (ii) a certificate from an officer of the Company (in form reasonably satisfactory to Purchasers) certifying that the resolutions of the Board of Directors of the Company authorizing the transactions contemplated hereby, as delivered at the First Closing, have not been amended or modified since the First Closing Date and that such resolutions are the only resolutions relating to this Agreement and the transactions contemplated hereby. The date on which the Third Closing occurs is hereinafter referred to as the "THIRD CLOSING DATE."

3. Representations and Warranties of the Company. The Company hereby represents and warrants to Purchasers as follows (it being agreed that for purposes of the representations and warranties set forth in this Section 3, the term the "COMPANY" shall be deemed to refer to the Company and each of its Subsidiaries on a consolidated basis, except where the context reasonably indicates otherwise):

3.1. Organization and Qualification. Except as disclosed on Schedule 3.1, the Company and each of its Subsidiaries (as defined in Section 3.3) is a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation, has all requisite corporate power and authority to conduct its business as currently conducted and (assuming approval by the holders of the Common Stock of the Shareholder Proposals, as defined in Section 5.2, below, and approval by the holders of the Series A Preferred Stock of the Certificate Amendments, as defined in Section 5.7, below) to enter into and to carry out and perform its obligations under the Transaction Documents. For purposes of this Agreement, "TRANSACTION DOCUMENTS" shall include: (a) this Agreement, (b) the Registration Rights Agreement, (c) the Warrants, (d) the Tranche I Notes, (e) the Sanmina Notes, (f) the Security Agreements delivered at the First Closing and Sanmina Closing, (g) the Certificate of Designation, and (h) the Certificate Amendments, as defined in Section 5.7. Except as set forth on Schedule 3.1, the Company and each of its Subsidiaries is duly qualified as a foreign corporation and is in good standing in each jurisdiction in which the failure to be so qualified or in good standing could reasonably be expected to have a material adverse effect on the business, properties, results of operations, financial condition

or prospects of the Company and its Subsidiaries taken as a whole (a "MATERIAL ADVERSE EFFECT").

3.2. Authorized Capital Stock. As of the date hereof, the authorized capital stock of the Company consists of (a) Three Hundred Fifty Million (350,000,000) shares of Common Stock, \$0.001 par value per share; and (b) Fifteen Million (15,000,000) shares of Preferred Stock, \$0.001 par value per share, Thirty Thousand (30,000) shares of which are designated as Series A Preferred Stock. As of March 4, 2003, there were 6,984,823 shares of Common Stock outstanding and 3,675 shares of Series A Preferred Stock outstanding, and the Company has issued no shares of capital stock since that date other than as may have been issued pursuant to the exercise of then outstanding warrants and options and conversion of Series A Preferred Stock. All of the outstanding shares of Common Stock have been duly authorized and validly issued and are fully paid and nonassessable. The Company has reserved for issuance 1,400,000 shares of Common Stock upon exercise of options granted under its Amended and Restated 2000 Stock Incentive Plan and Amended and Restated 1997 Stock Option Plan (collectively, the "COMPANY OPTION PLANS"). As of March 4, 2003 and the date hereof, there were not outstanding or existing any options, warrants, rights (including conversion or preemptive rights, other than those described in Section 3.6.1) or agreements for the purchase or acquisition from the Company or any Subsidiary of any shares of its capital stock or any securities exercisable for or convertible into shares of its capital stock, except for options described above and warrants described on Schedule 3.2 hereto, which sets forth for each warrant or group of identical warrants (x) the number of shares subject to such warrants, (y) the exercise price thereof as of the date hereof without giving effect to the transactions contemplated under this Agreement and (z) the exercise price thereof after giving effect to the issuance of all Warrants and Shares contemplated hereby (for which purpose it shall be assumed that the Tranche I Notes and the Sanmina Notes are converted in full into Series B Preferred Stock under the terms thereof). Upon consummation of the Third Closing (assuming repayment of the Sanmina Notes entirely in Series B Preferred Stock), Purchasers shall collectively own Series B Preferred Stock convertible into 54.94% of the Fully Diluted Common Shares of the Company. "FULLY DILUTED COMMON SHARES" shall mean the sum of (i) all shares of Common Stock issued and outstanding as of March 4, 2003, (ii) all shares of Common Stock issuable upon conversion of outstanding Series A Preferred Stock (as of March 4, 2003) and Series B Preferred Stock (making the aforementioned assumptions regarding the conversion in full of the Tranche I Notes and Sanmina Notes into Series B Preferred Stock under the terms thereof) and (iii) all shares of common stock issuable upon exercise of options and warrants outstanding at March 4, 2003 which, after giving effect to all antidilution adjustments arising out of the transactions contemplated hereby and the issuance of all Shares and Warrants contemplated to be issued hereunder, will have an exercise price less than or equal to \$1.05 per share. There are no outstanding obligations of the Company or any Subsidiary to purchase, redeem or otherwise acquire any equity interest therein.

3.3. Subsidiaries. Except as set forth in Schedule 3.3, the Company (a) owns no equity securities of any other corporation, limited partnership or similar entity, directly or through any Subsidiary, beneficially or of record and (b) is not, directly or through any Subsidiary, a participant in any joint venture, partnership or similar arrangement. "SUBSIDIARY" means any corporation, joint venture, limited liability company,

partnership, association or other business entity of which more than 50% of the total voting power of stock or other equity entitled to vote generally in the election of directors or managers thereof is owned or controlled, directly or indirectly, by the Company.

3.4. Due Execution, Delivery and Performance of the Agreement; No Conflict.

3.4.1. Subject to (A) approval by the requisite holders of the Common Stock and Series A Preferred Stock, voting together as a single class of (i) the issuance and sale to Purchasers of the Third Issuance Shares; (ii) the Certificate of Designation; (iii) the Certificate Amendments; and (iv) delivery of Series B Preferred Shares upon conversion or payment of the Tranche I Notes and Sanmina Notes and (B) approval by the requisite holders of Series A Preferred Stock of the Certificate Amendments, the execution, delivery and performance of the Transaction Documents have been duly authorized by all necessary corporate action on the part of the Company. The Company's Board of Directors (the "BOARD") has approved the Certificate of Designation and the Certificate Amendments. This Agreement has been, and, when executed and delivered at the First Closing, the Sanmina Closing or the Third Closing (as the case may be), the other Transaction Documents will be, duly executed and delivered by the Company and constitute, or when executed and delivered at the First Closing, the Sanmina Closing or the Third Closing (as the case may be) will constitute, valid and binding obligations of the Company, enforceable against it in accordance with their respective terms, except as may be limited by (a) bankruptcy, insolvency, reorganization, moratorium and other similar laws and equitable principles relating to or limiting creditors' rights generally and (b) the effect of general principles of equity, whether enforcement is considered in a proceeding in equity or at law, concepts of materiality; reasonableness, good faith and fair dealing, and the discretion of the court before which any proceeding therefore may be brought. The Company has delivered to Purchasers executed Voting Agreements from holders of 1,312,479 shares (17.91%) of the Common Stock outstanding and a majority of the Series A Preferred Stock outstanding.

3.4.2. The execution, delivery and, subject to obtaining the consents and waivers set forth in Schedule 3.4, performance by the Company of the Transaction Documents and the consummation of the transactions contemplated thereby will not, (i) modify (except for modifications deemed to occur by virtue of the waivers and consents given by third parties with respect to the transactions contemplated hereby), breach or constitute grounds for the occurrence or declaration of a default under or give rise to a right to terminate, or accelerate or permit the acceleration of any performance required by the terms of, any material agreement, license, indenture, undertaking or other instrument to which the Company or any Subsidiary is a party or by which they or any of their assets may be bound or affected, (ii) violate any provision of law or any regulation or any order, judgment, or decree of any court or other agency of government to which the Company or any Subsidiary is subject, (iii) violate any provision of the Amended and Restated Certificate of Incorporation (the "CERTIFICATE OF INCORPORATION") or Bylaws of the Company, or (iv) result in the creation or imposition of (or the obligation to create or impose) any material liens, mortgages, pledges, charges, claims or other encumbrances

(collectively, "LIENS") on any of the Company's or any Subsidiary's properties, other than as may be created as a consequence of the Security Agreement.

3.5. State Takeover Statutes. The Board has approved the terms of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby (including without limitation the sale and issuance to Purchasers of the Shares, Tranche I Notes, the Sanmina Notes and Warrants pursuant to this Agreement) and such approval constitutes approval of such transactions by the Board under the provisions of Section 203 of the Delaware General Corporation Law (the "DGCL"), and constitutes all actions necessary to ensure that the restrictions contained in Section 203 of the DGCL will not apply to any Purchaser or its affiliates in connection with or following such transactions. No other state takeover statute is applicable to the transactions contemplated by this Agreement and the other Transaction Documents.

3.6. Issuance, Sale and Delivery of the Shares and Warrants.

3.6.1. When issued in compliance with all the provisions of this Agreement (including the delivery of payment therefor), the Shares will be validly issued, fully paid and nonassessable, and will be free of any Liens, other than restrictions on transfer under applicable state and/or federal securities laws and any Liens created or imposed by the Purchasers. The sale of the Shares and Warrants is not subject to any preemptive rights or rights of first refusal that have not been properly waived or complied with, except for participation rights granted to the holders of Series A Preferred Stock in December 2001 and Common Stock issued in September 2002 (which collectively entitle those holders to purchase securities in an amount up to 6.3% of the total number of securities offered hereby, after giving effect to any sales to such holders pursuant to such participation rights). Upon the filing with the Delaware Secretary of State and effectiveness of the Certificate of Designation, the rights, privileges and preferences of the Series B Preferred Stock set forth in the Certificate of Designation will constitute the valid and binding obligations of the Company, enforceable against it in accordance with their respective terms, except as may be limited by (a) bankruptcy, insolvency, reorganization, moratorium and other similar laws and equitable principles relating to or limiting creditors' rights generally and (b) the effect of general principles of equity, whether enforcement is considered in a proceeding in equity or at law, concepts of materiality; reasonableness, good faith and fair dealing, and the discretion of the court before which any proceeding therefore may be brought.

3.6.2. The shares of Common Stock that are issuable upon conversion of the Series B Preferred Stock or exercise of the Warrants, when so issued and paid for, will be validly issued, fully paid and nonassessable, and will be free of any Liens, other than restrictions on transfer under state and/or federal securities laws and any Liens created or imposed by the Purchasers. Issuance of such shares of Common Stock is not subject to any preemptive rights or rights of first refusal that have not been properly waived or complied with.

3.7. Governmental Consent. No consent, approval or authorization of, or declaration or filing with, any federal, state, local, municipal, foreign or other governmental body or authority ("GOVERNMENTAL AUTHORITY") on the part of the Company or any Subsidiary is required for the execution and delivery of the Transaction Documents or the



sale of the Shares to Purchasers pursuant to this Agreement, except for the filing of the Certificate of Designation.

### 3.8. SEC Reports; Financial Statements.

3.8.1. The Company has filed all forms, reports and documents required to be filed by it with the SEC since and including the filing date of the Registration Statement with respect to the Company's initial public offering (the "SEC REPORTS"). The SEC Reports (x) were prepared in accordance with the requirements of the Securities Act of 1933, as amended (the "SECURITIES ACT") and the Securities and Exchange Act of 1934, as amended (the "EXCHANGE ACT"), as the case may be, and the rules and regulations thereunder and (y) did not at the time they were filed, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

3.8.2. Except as set forth on Schedule 3.8.2 hereto, each of (i) the financial statements (including, in each case, any notes thereto) of the Company included in the SEC Reports, (ii) the unaudited consolidated statement of operations for the Company and its Subsidiaries for the year ended December 31, 2002 attached as Schedule 3.8.2(a) hereto and (iii) the unaudited consolidated balance sheet of the Company and its Subsidiaries as of December 31, 2002 attached as Schedule 3.8.2(b) hereto (the "UNAUDITED BALANCE SHEET"; and items (i), (ii) and (iii) being collectively referred to herein as the "FINANCIAL STATEMENTS"), was prepared in accordance with GAAP (subject, in the case of unaudited statements, to the absence of footnotes thereto and to normal and recurring year-end adjustments which were not and are not expected to be material in amount) and each fairly presented the financial position, results of operations and cash flows of the Company as at the respective dates thereof and for the respective periods indicated therein (except as may be indicated in the notes thereto) in all material respects.

3.8.3. Except as set forth in Schedule 3.8.3 hereto, as of the date hereof, the Company has no liability or obligation (whether accrued, absolute, contingent or otherwise and whether or not required to be reflected on the balance sheet under GAAP) other than (a) liabilities and obligations reflected on the Unaudited Balance Sheet, and (b) liabilities or obligations incurred since December 31, 2002 in the ordinary course of business consistent with past practice, none of which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

3.8.4. The Company has previously furnished to the Purchaser Representative true, correct and complete copies of all "management" letters issued by the Company's independent auditors since January 1, 2000, and all letters from the Company's outside counsel to its auditors delivered since January 1, 2000 in connection with any audits.

3.9. Proxy Statement. The Proxy Statement described in Section 5.3, including any amendments or supplements thereto, shall not, at the time filed with the SEC, as of the date mailed to the Company's stockholders or at the time of the Stockholders Meeting (as defined in Section 5.2), contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the

statements therein, in light of the circumstances under which they are made, not misleading. Notwithstanding the foregoing, the Company makes no representation or warranty with respect to any information provided by Purchasers specifically for use in the Proxy Statement. The Proxy Statement will comply as to form in all material respects with the provisions of the Exchange Act and the rules and regulations thereunder.

3.10. Absence of Litigation. Except as set forth on Schedule 3.10 hereto, there is no material claim, action, proceeding or investigation (or collection of similar or related claims, actions, proceedings or investigations which in the aggregate would be material) pending, and, to the knowledge of the Company or its Subsidiaries, there is no material claim, action, proceeding or investigation threatened, against the Company or any Subsidiary, or any director or officer of the Company or any Subsidiary or any property or asset of the Company or any Subsidiary, before any court, arbitrator or administrative, governmental or regulatory authority or body, domestic or foreign. Except as set forth on Schedule 3.10 hereto, neither the Company or any Subsidiary, nor any of their properties or assets, is subject to any order, writ, judgment, injunction, decree, determination or award.

3.11. Absence of Certain Changes or Events. Except as disclosed in the Company's Form 10-Q dated September 30, 2002 or in subsequent SEC Reports or in Schedule 3.11, or as specifically contemplated by this Agreement, since September 30, 2002, there has not been (i) any transaction, commitment, dispute or other event or condition (financial or otherwise) of any character (whether or not in the ordinary course of business) individually or in the aggregate which has had or could reasonably be expected to have a Material Adverse Effect; (ii) any damage, destruction or loss, whether or not covered by insurance; (iii) any declaration, setting aside or payment of any dividend or other distribution (whether in cash, stock or property) with respect to the capital stock of the Company (for purposes of clarification, other than the accrual of dividends on the Series A Preferred Stock); (iv) any increases by the Company or its Subsidiaries in the wages, salaries, compensation, pension or other fringe benefits or perquisites payable to any executive officer or director, grants by the Company or any Subsidiary of any severance or termination pay, execution by the Company or any Subsidiary of any contract to make or grant any severance or termination pay, or payments by the Company or any Subsidiary of any bonus, in each case with respect to any such executive officer or director, other than pursuant to pre-existing agreements or arrangements; or (v) entry into any commitment or transaction material to the Company or any Subsidiary (including, without limitation, any material borrowing or sale of assets).

3.12. Compliance with Laws; Permits. The Company and each of its Subsidiaries has at all times materially complied, and it is currently in material compliance, with all material applicable statutes, rules, regulations and orders of the United States, Canada and all states or provinces in which the Company or any Subsidiary is engaged in business and has obtained all required licenses, permits and other approvals of any Governmental Authority (as defined in Section 3.7).

3.13. Material Contracts. Except as set forth on Schedule 3.13, each of the contracts required to be filed as material contracts as exhibits to the SEC Reports (the "MATERIAL CONTRACTS") (including all amendments, modifications and waivers) (a) has been filed with the SEC, (b) to the knowledge of the Company, has been duly authorized,

executed and delivered by the parties thereto, (c) remains in full force and effect to the extent of its terms without any amendment, modification or waiver not reflected in the Material Contracts, (d) to the knowledge of the Company, is binding on the parties thereto in accordance with and to the extent of its terms and applicable laws, and (e) is not subject to, and the Company has not received any written notice threatening or declaring, termination as a result of any alleged uncured breach or default. The Company and each Subsidiary has performed all material obligations required to be performed by it to date under each Material Contract, and neither the Company nor any Subsidiary is in material breach or default under any Material Contract. To the Company's knowledge, without a specific review having been conducted by the Company, no other party to any Material Contract is in material breach or default thereunder or in material violation thereof, and no condition exists that with notice or lapse of time or both would constitute a material violation thereof or a material default thereunder. Without limiting the foregoing, except as set forth on Schedule 3.13, any failure by the Company or any Subsidiary to receive an unqualified opinion of its auditors in connection with its annual audit will not modify, breach or constitute grounds for the occurrence or declaration of a default under or give rise to a right to terminate, or accelerate or permit the acceleration of any performance required by the terms of, any agreement, license, indenture, undertaking or other instrument to which the Company or any Subsidiary is a party or by which it or any of its assets may be bound or affected.

### 3.14. Intellectual Property Rights.

3.14.1. The Company and its Subsidiaries own or have licenses to use registered copyrights, copyright registration and copyright applications, trademark registrations and applications for registration, patents and patent applications, trademarks, service marks, trade names, Internet domain names and other intellectual property rights (collectively, "INTELLECTUAL PROPERTY RIGHTS") which are sufficient to carry on the business of the Company and its Subsidiaries as presently conducted, except for Intellectual Property Rights the failure of which to own or have licenses to use would not reasonably be expected to result in a Material Adverse Effect.

3.14.2. The operation of the business of the Company and its Subsidiaries does not, and except as identified on Schedule 3.14, neither the Company nor any Subsidiary has received any notice from any person claiming that the business of the Company or any Subsidiary does, infringe or misappropriate the Intellectual Property Rights of any person, violate any export control law or regulation, violate the rights of any person (including rights to privacy or publicity), or constitute unfair competition or trade practices under any applicable laws.

3.14.3. Except as set forth on Schedule 3.14, to the knowledge of the Company, no person is infringing or misappropriating any Intellectual Property Rights owned or licensed by the Company or any Subsidiary or engaging in other conduct that may diminish or undermine such Intellectual Property Rights, such as the disclosure of Company or Subsidiary confidential information.

3.14.4. The Company and its Subsidiaries have taken all reasonable steps to protect their rights in confidential information and trade secrets of the Company and its Subsidiaries or provided by any other person to the Company or a Subsidiary subject to a

duty of confidentiality. Without limiting the foregoing, the Company and its Subsidiaries have, and enforce, a policy requiring each of its executive officers and research and development personnel to execute proprietary information, confidentiality and invention and copyright assignment agreements, and all such individuals have executed such an agreement.

3.15. Certain Matters Regarding Employees. To the knowledge of the Company, no officer or key employee of the Company or any Subsidiary is subject to any contract, agreement, undertaking, commitment or instrument (including any no hire or non-competition agreements) which would impair his or her ability to perform the services on behalf of Company or any Subsidiary contemplated to be performed by such officers or key employee.

3.16. Tax Matters.

3.16.1. The Company and its Subsidiaries (i) have timely filed all material Tax Returns required to be filed by it as of the date hereof, and (ii) have timely paid, or have made appropriate provision on their balance sheets (in accordance with GAAP) for, all Taxes due or (to the Company's knowledge) claimed to be due from it by any taxing authority with respect to any liability for Taxes except where such failure, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect on the Company. All Tax Returns described in clause (i) are complete and accurate in all material respects. With respect to periods commencing on or after December 31, 2002, neither the Company nor any of its Subsidiaries has incurred any liability for Taxes which could reasonably be expected to have a Material Adverse Effect other than (i) as reflected on the audited balance sheet of the Company as of December 31, 2001 contained in the Financial Statements (the "AUDITED BALANCE SHEET") or the Unaudited Balance Sheet, or (ii) federal and state income taxes payable on the Company's income after December 31, 2002. There are no material Liens with respect to Taxes upon any of the Company's or any Subsidiary's properties or assets, except for current Taxes not yet due.

3.16.2. To the Company's knowledge, none of the Tax Returns of the Company or its Subsidiaries have been or are currently being audited or examined by the Internal Revenue Service. Except to the extent reserved for in the Audited Balance Sheet, no material issue of which the Company or any of its Subsidiaries has received written notice has been raised by a taxing authority in any audit or examination which reasonably could be expected to result in a proposed deficiency, penalty or interest for any other period, which could reasonably be expected to have a Material Adverse Effect on the Company.

3.16.3. There are no outstanding agreements or waivers extending the statutory period of limitation applicable to any Tax Returns required to be filed by, or which include or are treated as including, the Company or any of its Subsidiaries.

3.16.4. Neither Company nor any Subsidiary is involved in or subject to any joint venture, partnership or other arrangement or contract which is treated as a partnership for federal, state, local or foreign income tax purposes.

3.16.5. All material elections with respect to Taxes affecting the Company or any of its Subsidiaries as of the date hereof are set forth in Schedule 3.16. No consent to the application of section 341(f)(2) of the Code (as defined below) has been filed with respect to any property or assets held, acquired, or to be acquired by the Company or any of its Subsidiaries.

3.16.6. There are no tax sharing agreements or similar arrangements with respect to or involving the Company or any of its Subsidiaries.

3.16.7. Neither the Company nor any Subsidiary was included, nor are any of them includible, in any consolidated or unitary Tax Return with any corporation other than such a return of which the Company is the common parent corporation.

3.16.8. Neither the Company nor any Subsidiary has agreed to, and they are not required to, make any material adjustment under section 481(a) of the Internal Revenue Code of 1986, as amended (the "CODE").

3.16.9. Neither the Company nor any of its Subsidiaries has made any payments, is obligated to make any payments, or is a party to any contract, agreement or arrangement covering any current or former employee or consultant of the Company or its Subsidiaries that under certain circumstances could require it to make or give rise to any payments that are not deductible as a result of the provisions set forth in Section 280G of the Code or the treasury regulations thereunder or would result in an excise tax to the recipient of any such payment under Section 4999 of the Code, except as set forth on Schedule 3.16.9.

3.16.10. The Company has not been a United States real property holding corporation within the meaning of Section 897(c)(2) of the Code during the applicable period specified in Section 897(c)(1)(A)(ii) of the Code.

"TAX" or "TAXES", as the context may require, include: (i) any income, alternative or add-on minimum tax, gross income, gross receipts, franchise, profits, sales, use, ad valorem, business license, withholding, payroll, employment, excise, stamp, transfer, recording, occupation, premium, property, value added, custom duty, severance, windfall profit or license tax, including estimated taxes relating to any of the foregoing, or other similar tax or other like assessment or charge of similar kind whatsoever together with any interest and any penalty, addition to tax or additional amount imposed by any taxing authority responsible for the imposition of any such Tax; or (ii) any liability of a person for the payment of any taxes, interest, penalty, addition to tax or like additional amount resulting from the application of Treas. Reg. Section 1.1502-6 or comparable provisions of any Governmental Authority (as defined in Section 3.7) in respect of a consolidated or combined return.

"TAX RETURN" means any return (including any information return), report, statement, schedule, notice, form, or other document or information filed with or submitted to, or required to be filed with or submitted to, any taxing authority in connection with the determination, assessment, collection, or payment of any Tax or in connection with the administration, implementation, or enforcement of or compliance with any law relating to any Tax.

3.17. Title to Properties; Liens and Encumbrances. The Company has good and marketable title to all of its material owned properties and assets and such properties and assets are not subject to any Liens, except for (a) Liens under the Loan and Security Agreement dated November 29, 2001, as amended, with Silicon Valley Bank, Commercial Finance Division and Liens under the Security Agreement dated January 12, 2002 with Sanmina, (b) immaterial Liens which arise in the ordinary course of business (including without limitation Liens from current taxes not yet due and payable), and (c) Liens which individually or in the aggregate could not reasonably be expected to have a Material Adverse Effect on the Company or its material properties. All material leases, subleases, conditional sale contracts and other agreements pursuant to which the Company leases or otherwise uses real or personal property (collectively, "LEASES") are in good standing and are valid and effective in accordance with their respective terms. The Company has performed its obligations in all material respects to date under all such Leases.

3.18. Employee Benefit Plans. Except as listed in Schedule 3.18, neither the Company nor any Subsidiary maintains, sponsors, or contributes to any plan, program or arrangement (other than a "Foreign Plan" as defined below) that is (a) an "employee welfare benefit plan," as that term is defined in Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), (b) any other plan, arrangement or policy of the Company (whether written or oral) providing for insurance coverage (including self-insured arrangements), disability benefits, supplemental unemployment benefits, or for deferred compensation, bonuses, stock options, stock appreciation or other forms of incentive compensation or post-retirement insurance, compensation or benefits, or (c) a "pension plan" within the meaning of Section 3(2) of ERISA (a "PLAN"). No member (other than the Company) of the same controlled group of businesses as the Company within the meaning of Section 4001(a)(14) of ERISA now or ever has maintained, sponsored or been obligated to contribute to any "employee benefit plan" within the meaning of Section 3(3) of ERISA, other than a Foreign Plan. Each Plan has been operated substantially in accordance with its terms, ERISA, the Code and other applicable law. Each of the Plans which is intended to be a qualified plan under Section 401(a) of the Code has received a favorable determination letter from the Internal Revenue Service. Neither the Company nor any Subsidiary has any knowledge of any circumstances which reasonably might result in any material liability, tax or penalty, including, but not limited to, a penalty under Section 502 of ERISA, as a result of a breach of any fiduciary duty under ERISA. None of the Plans provides or has provided post-retirement medical or health benefits. None of the Plans is or was a "welfare benefit fund," as defined in Section 419(e) of the Code, or an organization described in Sections 501(c)(9) or 501(c)(20) of the Code. Neither the Company nor any of its Subsidiaries is or ever has been a party to any collective bargaining agreement. Except as disclosed on Schedule 3.18, neither the Company nor any of its Subsidiaries has announced or otherwise made any commitment to create or amend any Plan, and neither the Company nor any of its Subsidiaries has announced or otherwise made any commitment to begin contributing to any pension plan subject to Title IV of ERISA, or to any "multiemployer plan" within the meaning of Section 3(37) of ERISA. All contributions required to be made to any Plan under the terms of such Plan or under ERISA or the Code have been timely made. Each Plan which is required to comply with the provisions of Sections 4980B and 4980C of the Code, or with the requirements referred to in Section 4980D(a) of the Code, has complied in all material respects. Each Plan intended to meet the requirements for tax-

avored treatment under Subchapter B of Chapter 1 of the Code meets such requirements. Except as disclosed on Schedule 3.18, the execution and performance of this Agreement will not (i) result in any obligation or liability (with respect to accrued benefits or otherwise) of the Company to any Plan, or any present or former employee of the Company, (ii) be a trigger event under any Plan that will result in any payment (whether of severance pay or otherwise) becoming due to any present or former employee, officer, director, stockholder, contractor, or consultant, or any of their dependents, or (iii) except as otherwise expressly contemplated by this Agreement, accelerate the time of payment or vesting, or increase the amount, of compensation due to any present or former employee, officer, director, stockholder, contractor, or consultant of the Company. Other than routine claims for benefits under the Plans, there are no pending, or, to the best knowledge of the Company, threatened, investigations, proceedings, claims, lawsuits, disputes, actions, audits or controversies involving the Plans, or the fiduciaries, administrators, or trustees of any of the Plans or the Company or any subsidiary of any as the employer or sponsor under any Plan, with any of the Internal Revenue Service, the Department of Labor, the Pension Benefit Guaranty Company, any participant in or beneficiary of any Plan. The Company knows of no reasonable basis for any such claim, lawsuit, dispute, action or controversy. With respect to each employee benefit plan, program, and other arrangement providing compensation or benefits to any employee or former employee of the Company or any Subsidiary thereof, which plan, program or arrangement is maintained outside of the United States primarily for the benefit of persons substantially all of whom are nonresident aliens (a "FOREIGN PLAN"): (A) the Foreign Plan has been maintained in all material respects in accordance with applicable law, (B) if intended to qualify for special tax treatment, the Foreign Plan satisfies the requirements for such treatment, and (C) the Foreign Plan is funded and/or book reserved to the extent required by applicable law.

3.19. Existing Indebtedness; Existing Liens; Investments;  
Etc.

(a) Schedule 3.19 sets forth a true, correct and complete list or schedule, and describe, as of the date or dates indicated therein, as applicable:

(i) all material indebtedness of the Company and its Subsidiaries on a consolidated and consolidating basis (collectively, "EXISTING INDEBTEDNESS") as of the date hereof;

(ii) all material Liens as of a recent practicable date in respect of any assets of the Company or its Subsidiaries (collectively, "EXISTING LIENS"), showing, as to each such Lien, the name of the grantor and secured party, the indebtedness secured thereby, the name of the debtor (if different from the grantor) and the assets or other property covered by such Lien;

(iii) all material investments of the Company and its Subsidiaries as of the date hereof; and

(iv) a payables aging schedule for the Company and its Subsidiaries as of a recent practicable date.

(b) All principal, interest and other amounts owing under the obligations secured by the liens described in the UCC-1 filings by Cupertino National Bank, Venture Banking Group has been paid in full, and all such liens have been cancelled.

3.20. Accounts Receivable. Schedule 3.20 sets forth a receivables aging schedule for the Company and its Subsidiaries as of a recent practicable date. All accounts receivable of the Company and its Subsidiaries (a) to the Company's knowledge, are legal, valid and binding obligations of the persons shown on the books of the Company or such Subsidiary as the respective account debtors with respect thereto, except as may be limited by (i) bankruptcy, insolvency, reorganization, moratorium and other similar laws and equitable principles relating to or limiting creditors' rights generally and (ii) the effect of general principles of equity, whether enforcement is considered in a proceeding in equity or at law, concepts of materiality; reasonableness, good faith and fair dealing, and the discretion of the court before which any proceeding therefore may be brought, (b) arose out of bona fide sales actually made or services actually performed on or prior to such date in the ordinary course of business, (c) are not subject to any discount, rebate, offset, return privilege or claim outside of the ordinary course of business (and are reflected in the reserves established on the books of the Company or such Subsidiary, as the case may be, in accordance with GAAP) and (d) to the best knowledge of the Company, are valid and collectible in the ordinary course of business. Except as set forth on Schedule 3.20, no customer has indicated an unwillingness or an inability to pay any amount included in the accounts receivables of the Company or any of its Subsidiaries.

3.21. Customers. Schedule 3.21 lists the names and addresses of the six (6) most significant customers (by revenue) of the Company and its Subsidiaries for the year ended December 31, 2002, and the amount and percentage of total revenues accounted for by each such customer during each such period. Except for the bankruptcy filing of Metricom, Inc., which is disclosed in the Company's SEC Reports, neither the Company nor any Subsidiary has received any notice or otherwise have knowledge that any of such six significant customers has ceased, or will cease, to use the products or services of the Company or its Subsidiaries, or has materially reduced, or will materially reduce, the use of such products or services at any time.

3.22. Suppliers. Schedule 3.22 lists the three (3) largest suppliers of any products or services to the Company and its Subsidiaries during the year ended December 31, 2002, and the amount of purchases made by the Company or any Subsidiary from each supplier during such period. Except for the arrangements with Sanmina and Sanmina ULC pursuant to the Settlement Agreement and related Sanmina Security Agreement, no material purchase order, commitment or other obligation of the Company or any Subsidiary to take delivery is in excess of normal requirements, nor are prices provided therein in excess of current market prices for the products or services to be provided thereunder. Except in connection with the Settlement Agreement and related Sanmina Security Agreement, neither the Company nor any Subsidiary has any obligation to any supplier with respect such supplier's work in process or inventory, and no such obligation would arise as a result of any termination of any contract or purchase order.

3.23. Business Relationships. There is no threatened termination, cancellation or limitation of, or any modification or change in, the business relationship



between the Company or its Subsidiaries, on the one hand, and any customer or group of customers whose purchases, individually or in the aggregate, are material to the business of the Company or any Subsidiary, or with any material suppliers, on the other hand, and to the Company's knowledge there exists no present condition or state of facts or circumstances with respect to any such business relationship which could materially and adversely affect the Company or its Subsidiaries or prevent the Company or its Subsidiaries from conducting such business after the consummation of the transactions contemplated by this Agreement in substantially the same manner in which it has been heretofore been conducted.

3.24. Business Plan. The Company has delivered to the Purchaser Representative a true and correct copy of its business plan for the year 2003 (the "BUSINESS PLAN"). The information contained in the Business Plan (including without limitation the projections) has been prepared by Company and its representatives in good faith based upon assumptions believed by the management of Company and its Subsidiaries to be reasonable at the time of such preparation and as of the date hereof (excluding any analysis of the transactions contemplated hereby, including Purchasers' acquisition of the obligations owed to Sanmina), which constitute all assumptions reasonably necessary and prudent in making such projections.

3.25. Employment Agreements. Schedule 3.25 sets forth a true, correct and complete list of all material employment agreements and golden parachute agreements to which the Company or any of its Subsidiaries is a party, both with respect to current employees and officers and (to the extent any obligations remain outstanding thereunder) former officers and employees. The Company has previously delivered to the Purchaser Representative (or made available to FTI Consulting) true, correct and complete copies of all such agreements, including all amendments thereto. Each such agreement is in writing, and to the Company's knowledge is a valid and binding agreement enforceable against the respective parties thereto in accordance with its terms, except as may be limited by (i) bankruptcy, insolvency, reorganization, moratorium and other similar laws and equitable principles relating to or limiting creditors' rights generally and (ii) the effect of general principles of equity (whether enforcement is considered in a proceeding in equity or at law), concepts of materiality, reasonableness, good faith and fair dealing, and the discretion of the court before which any proceeding therefore may be brought. To the knowledge of the Company, no party to any such agreement is in breach of, or in default with respect to, any of its obligations thereunder, nor is the Company or any of its Subsidiaries aware of any facts or circumstances which might reasonably be expected to result in any breach or default thereunder.

3.26. Transactions with Affiliated Persons.

3.26.1. Since December 31, 2001, except as set forth on Schedule 3.26, neither the Company nor any of its Subsidiaries has at any time, directly or indirectly, purchased, leased or otherwise acquired any material property or obtained any material services from, or sold, leased or otherwise disposed of any material property or furnished any material services to (except in each case with respect to remuneration for services rendered as a director, officer, consultant or employee of the Company or any of its Subsidiaries), in the ordinary course of business or otherwise, any officer, director, employee, stockholder, any family member of any officer, director, employee, stockholder

or any other person (other than the Company and its Subsidiaries) that, directly or indirectly, alone or together with others, controls, is controlled by or is under common control with the Company, any of its Subsidiaries or any officer, director, employee, stockholder or any family member of any officer, director, employee or stockholder (the preceding persons listed in this sentence being referred to herein collectively as "AFFILIATED PERSONS" and individually as an "AFFILIATED PERSON").

3.26.2. Except as set forth in Item 13 of the Company's Form 10-K/A for the year ended December 31, 2001, or in subsequent SEC Reports, neither the Company nor any of its Subsidiaries is indebted, directly or indirectly, to any Affiliated Person, in a material amount; and no Affiliated Person is indebted in a material amount to the Company or any of its Subsidiaries (except for advances for travel expenses to employees in the ordinary course of business) or has any direct or indirect ownership interest in any firm or corporation with which the Company or any of its Subsidiaries is affiliated or with which the Company or any of its Subsidiaries has a business relationship. To the Company's knowledge, no such Affiliated Person is, directly or indirectly, interested in any material contract with the Company or any of its Subsidiaries (other than bona fide employment agreements).

3.27. Listing of Common Stock. All shares of Common Stock issuable upon conversion of the Shares or exercise of the Warrants will be listed for trading on Nasdaq National Market or Nasdaq SmallCap Market, effective on and as of the Third Closing Date. Except as disclosed in the SEC Reports, as of the date hereof, the Company is, and as of each of the First Closing Date and the Third Closing Date will be, in compliance with all applicable Nasdaq SmallCap Market continued listing standards and requirements, other than the \$1.00 minimum bid requirement.

3.28. Full Disclosure. There is no fact known to the Company relating to the Company or its Subsidiaries (other than facts related to general economic conditions) which the Company has not disclosed to the Purchasers herein, in the SEC Reports, in the Schedules hereto or in the Financial Statements which the Company in good faith believes either materially adversely affects, or could reasonably be expected to materially adversely affect, the properties, business, operations, affairs, earnings, assets, liabilities or condition (financial or otherwise) of the Company or the ability of the Company to perform its obligations under this Agreement or any document contemplated hereby.

3.29. Finders' Fees. There is no investment banker, broker, finder or other intermediary that has been retained by or is authorized to act on behalf of Company or any Affiliated Person who might be entitled to any fee or commission upon consummation of the transactions contemplated by this Agreement and each of the other Transaction Documents.

3.30. No General Solicitation or General Advertising. In the case of each issuance of securities, including, without limitation, the Shares, Warrants, Tranche I Notes and Sanmina Notes, pursuant to the terms of this Agreement, no form of general solicitation or general advertising was used by the Company or its representatives, including without limitation, advertisements, articles, notices or other communications published in any newspaper, magazine or similar medium or broadcast over television or radio, or any

seminar or meeting whose attendees have been invited by any general solicitation or general advertising.

4. Representations and Warranties of Purchasers. Each of the Purchasers, individually and not jointly, represents and warrants that:

4.1. Authorization. Such Purchaser has full power and authority to enter into and to perform its obligations under this Agreement and to carry out the transactions contemplated by this Agreement. This Agreement has been duly executed and delivered by such Purchaser and constitutes a valid and legally binding obligation of such Purchaser.

4.2. Investment Representations. Such Purchaser is acquiring and will acquire the securities pursuant to this Agreement for such Purchaser's own account, for investment purposes and not with a view to, or for sale in connection with, any distribution of such securities or any part thereof in violation of federal or state securities laws.

4.3. Investment Experience: Access to Information. Such Purchaser is an "accredited investor" as that term is defined in Rule 501(a) promulgated under the Securities Act, is a sophisticated investor, is able to fend for itself in the transactions contemplated by this Agreement, has such knowledge and experience in financial, business and investment matters as to be capable of evaluating the merits and risks of this investment, has the ability to bear the economic risks of this investment, has been furnished with copies of and has read the SEC Reports, was not organized or reorganized for the specific purpose of acquiring the securities pursuant to this Agreement; and (b) has been afforded the opportunity to ask questions of, and to receive answers from, the Company and to obtain any additional information, to the extent the Company has or could have acquired such information without unreasonable effort or expense, all as necessary for such Purchaser to make an informed investment decision with respect to purchasing the securities pursuant to this Agreement. The foregoing, however, does not limit or modify the representations and warranties of the Company in this Agreement or the right of such Purchaser to rely thereon.

4.4. No General Solicitation or General Advertising. In the case of each issuance of securities, including, without limitation, the Shares, Warrants, the Tranche I Notes and the Sanmina Notes, pursuant to the terms of this Agreement, no form of general solicitation or general advertising was used by any Purchaser or its representatives, including without limitation, advertisements, articles, notices or other communications published in any newspaper, magazine or similar medium or broadcast over television or radio, or any seminar or meeting whose attendees have been invited by any general solicitation or general advertising.

4.5. Absence of Registration. Such Purchaser understands that:

4.5.1. The securities to be sold and issued hereunder (and all securities to be issued on conversion or exercise thereof) are unregistered and may be required to be held indefinitely unless they are subsequently registered under the Securities Act, or an exemption from such registration is available.

4.5.2. Except as provided in the Registration Rights Agreement, the Company is under no obligation to file a registration statement with the SEC with respect to the securities acquired pursuant to this Agreement or the securities to be issued on conversion or exercise thereof.

4.6. Restrictions on Transfer. Such Purchaser agrees that (a) it will not offer, sell, pledge, hypothecate, or otherwise dispose of the securities to acquired pursuant to this Agreement other than to its "affiliates" unless such offer, sale, pledge, hypothecation or other disposition is (i) registered under the Securities Act, or (ii) to the extent that such offer, sale, pledge, hypothecation or other disposition thereof does not violate the Securities Act, and (b) the securities acquired pursuant to this Agreement (and all securities acquired on the conversion or exercise thereof) shall bear a legend stating in substance:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") OR THE SECURITIES LAWS OF ANY STATE. THESE SECURITIES HAVE NOT BEEN ACQUIRED WITH A VIEW TO DISTRIBUTION OR RESALE, AND MAY NOT BE SOLD, EXCHANGED, MORTGAGED, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED WITHOUT (A) AN EFFECTIVE REGISTRATION STATEMENT FOR SUCH SECURITIES UNDER THE ACT AND ANY APPLICABLE STATE LAWS OR TO THE EXTENT THAT REGISTRATION OR QUALIFICATION IS NOT REQUIRED UNDER SUCH ACT OR UNDER APPLICABLE STATE LAWS OR (B) PURSUANT TO AN EXEMPTION THEREFROM UNDER SAID ACT AND ALL APPLICABLE STATE SECURITIES OR "BLUE SKY" LAWS WITH RESPECT TO WHICH THE COMPANY MAY, UPON REQUEST, REQUIRE A SATISFACTORY OPINION OF COUNSEL FOR THE PURCHASER THAT SUCH TRANSFER IS EXEMPT FROM THE REQUIREMENTS OF THE ACT.

4.7. Proxy Statement. All information included in the Proxy Statement (as defined in Section 5.3) furnished by such Purchaser will not, at the date of mailing of the Proxy Statement to the stockholders of the Company, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which made, not misleading.

4.8. Registration Required. Such Purchaser hereby covenants with the Company not to make any sale of the Shares, Common Stock and Warrant Shares without complying with the provisions hereof, and without effectively causing the prospectus delivery requirement under the Securities Act to be satisfied (unless the Purchaser is selling such Shares, Common Stock or Warrant Shares in a transaction not subject to the prospectus delivery requirement). Such Purchaser acknowledges that as set forth in, and subject to the provisions of, the Registration Rights Agreement, there may occasionally be times when the Company, based on the advice of its counsel, determines that it must suspend the use of the any prospectus forming a part of the registration statement required to be filed pursuant to the terms of the Registration Rights Agreement until such time as an amendment to the registration statement has been filed by the Company and declared effective by the SEC or until the Company has amended or supplemented such prospectus.

4.9. No Tax or Legal Advice. Such Purchaser understands that nothing in the Agreement, or any other materials presented to the Purchaser in connection with the purchase and sale of the Shares, Common Stock and Warrant Shares constitutes legal, tax or investment advice. Such Purchaser has consulted such legal, tax and investment advisors as it, in its sole discretion, has deemed necessary or appropriate in connection with its purchase of Shares, Common Stock and Warrant Shares.

4.10. International Actions. Such Purchaser acknowledges, represents and agrees that no action has been or will be taken in any jurisdiction outside the United States by the Company that would permit an offering of the Shares, Common Stock and Warrant Shares, or possession or distribution of offering materials in connection with the issuance of the Shares, Common Stock and Warrant Shares, in any jurisdiction outside the United States. If such Purchaser is located outside the United States, it has or will take all actions necessary for any resale of the Shares, Common Stock and Warrant Shares by such Purchaser to comply with all applicable laws and regulations in each foreign jurisdiction in which it offers, sells or delivers Shares, Common Stock and Warrant Shares or distributes any offering material, in all cases at its own expense.

4.11. Brokers or Finders. The Company has not and will not incur, directly or indirectly, as a result of any action taken by any Purchaser, any liability for brokerage or finders' fees or agents' commissions or any similar charges in connection with this Agreement or the transactions contemplated hereby.

5. Covenants of the Company. The Company hereby covenants and agrees with Purchasers as follows:

5.1. Access; Reports. At all times through the Third Closing, the Company will permit Purchaser Representative and its authorized representatives, full access at reasonable times, during normal business hours, to all of the books, records, personnel and properties of the Company and its Subsidiaries, wherever located, for the purpose of conducting its due diligence review of the Company. No investigation will affect or limit the scope of any of the representations, warranties, covenants and indemnities of the other in this Agreement or in any Transaction Document or limit liability for any breach of any of the foregoing. The Company shall (i) at the request of Purchaser Representative, at reasonable times, meet with and/or report to the Purchaser Representative regarding material operational matters and financial matters (including monthly unaudited financial information); (ii) promptly and regularly notify the Purchaser Representative of any change in the normal course of operation of its business or its properties and of any material development in the business, properties, or operations of the Company (including without limitation any Material Adverse Effect or any governmental or third party claims, complaints, investigations or hearings, or communications indicating that the same may be forthcoming or contemplated).

5.2. Stockholders Meeting. The Company shall cause a meeting of its stockholders to be duly called and held as soon as reasonably practicable for the purpose of voting on the approval of the issuance and sale to Purchasers of the Third Issuance Shares and Third Issuance Warrants (and the conversion of the Tranche I Notes in connection therewith and the repayment of the Sanmina Notes with Series B Preferred Stock) and the

election of directors pursuant to this Agreement (the "STOCKHOLDERS MEETING"). The proxy materials relating to such meeting shall contain the recommendation of the Board (which shall be a unanimous recommendation of the disinterested directors) that the stockholders approve (x) the issuance and sale to Purchasers of the Third Issuance Shares, Third Issuance Warrants and Purchasers' acquisition of the Tranche I Conversion Shares and Sanmina Conversion Shares on conversion of the Tranche I Notes and repayment of the Sanmina Notes (collectively, the "PURCHASER ACQUISITIONS") and (y) the Certificate Amendments (collectively, the "SHAREHOLDER PROPOSALS").

5.3. Proxy Statement. As promptly as practicable after the date of this Agreement, the Company shall prepare and cause to be filed with the SEC a Proxy Statement in connection with the transactions contemplated hereby (the "PROXY STATEMENT"), and the Company shall respond promptly to any comments of the SEC or its staff with respect thereto. The Company will afford Purchasers a reasonable opportunity to review and comment on the proposed form of Proxy Statement prior to its filing with the SEC. Purchasers shall promptly furnish to the Company all information concerning Purchasers as may be required or reasonably requested in connection with any action contemplated by this Section 5.3. The Company shall (a) notify the Purchaser Representative promptly of the receipt of any comments from the SEC or its staff and of any request by the SEC or its staff for amendments or supplements to the Proxy Statement or for additional information and (b) supply the Purchaser Representative with copies of all correspondence with the SEC or its staff with respect to the Proxy Statement. Whenever any event occurs that should be set forth in an amendment or supplement to the Proxy Statement, Purchasers or the Company, as the case may be, shall promptly inform the other of such occurrence and shall cooperate in filing with the SEC or its staff, and, if appropriate, mailing to stockholders of the Company, such amendment or supplement.

5.4. Conduct of Business. From the date hereof through the Third Closing (or, if the Third Closing does not occur, until all principal and interest under the Tranche I Notes and Sanmina Notes (if issued) are repaid in full under their terms), the Company shall and shall cause each of its Subsidiaries to, except as contemplated by this Agreement, or as consented to by the Purchaser Representative in writing, operate its businesses in the ordinary course of business and in accordance with past practice, consistent with the Business Plan, and not take any action inconsistent with this Agreement. Without limiting the generality of the foregoing, except as specifically contemplated by this Agreement, the Business Plan, or as consented to by the Purchaser Representative in writing, the Company shall not and shall cause each of its Subsidiaries not to:

(a) change or amend the Certificate of Incorporation or Bylaws of the Company;

(b) enter into, extend, materially modify, terminate or renew any Material Contract, except in the ordinary course of business;

(c) sell, assign, transfer, convey, lease, mortgage, pledge or otherwise dispose of or encumber any assets, or any interests therein, except in the ordinary course of business;

(d) make new commitments for capital expenditures in excess of either Fifty Thousand Dollars (\$50,000) in any one quarter or One Hundred Thousand Dollars (\$100,000) during 2003;

(e) take any action with respect to the grant of any bonus, severance or termination pay or with respect to any increase of benefits payable (including the grant of stock options) under its severance or termination pay policies or agreements in effect on the date hereof or increase in any manner the compensation or benefits of any executive officer except in the ordinary course of business consistent with past practice or pay any benefit not required by any existing agreement with any employee or former employee or employee or by any existing benefit plan or policy;

(f) take any action with respect to the hiring of additional executive officers or the termination or replacement existing executive officers;

(g) subject to Section 5.5, acquire by merger or consolidation with, or merge or consolidate with, or purchase substantially all of the assets of, or otherwise acquire any material assets or business of any corporation, partnership, association or other business organization or division thereof;

(h) declare, set aside, make or pay any dividend or other distribution in respect of its capital stock (for purposes of clarification, other than the accrual of dividends on the Series A Preferred Stock);

(i) take any action to effect any stock dividend, split-up, recapitalization, combination, conversion, exchange of shares or other similar change in the corporate or capital structure of the Company;

(j) fail to comply in all material respects with all legal requirements applicable to it, its assets and its business;

(k) intentionally do any other act which would cause any representation or warranty of the Company in this Agreement to be or become untrue in any material respect;

(l) issue, repurchase or redeem or commit to issue, repurchase or redeem, any shares of its capital stock, any options or other rights to acquire such stock or any securities convertible into or exchangeable for such stock, other than the following: (i) issuance of shares in connection with the consummation of a Superior Proposal (as defined in Section 5.5.3), (ii) issuance of shares to employees, consultants and directors of the Company pursuant to stock options existing as of the date hereof, and (iii) repurchases of shares from employees or consultants as may be required by existing agreements in connection with the termination of their employment or consultancy with the Company;

(m) enter into any transaction or arrangement described in Section 3.26;

(n) fail to use its commercially reasonable efforts to (i) retain its key employees and (ii) maintain existing relationships with material suppliers, customers and others having business dealings with it and (iii) otherwise preserve the goodwill of its business so that such relationships and goodwill will be preserved on and after the Third Closing Date;

(o) other than as permitted by the current Loan Agreement with Silicon Valley Bank, incur any indebtedness for borrowed money or modify the terms of any existing indebtedness;

(p) Modify the Business Plan in any material respect;

(q) become a guarantor or surety of any indebtedness of any other person; or

(r) enter into any agreement, or otherwise become obligated, to do any action prohibited under this Section 5.4.

#### 5.5. No Solicitation.

5.5.1. Subject to Section 5.5.3 and the fiduciary duties to which the Board is subject under Delaware Law, prior to the Third Closing, the Company shall not, and the Company shall cause its Affiliated Persons and the respective officers, directors, employees, investment bankers, attorneys, accountants and other representatives and agents (collectively, "REPRESENTATIVES") of the Company and its Affiliated Persons not to, directly or indirectly, initiate, solicit, encourage or participate in negotiations or discussions relating to, or provide any information to any person concerning, or take any action to facilitate the making of, any offer or proposal which constitutes or is reasonably likely to lead to any Transaction Proposal (as defined below), or any inquiry with respect thereto, or agree to approve or recommend any Transaction Proposal. The Company shall, and shall cause its Affiliated Persons and the respective Representatives of the Company and its Affiliated Persons to, immediately cease and cause to be terminated all existing activities, discussions and negotiations, if any, with any parties conducted heretofore with respect to any of the foregoing.

5.5.2. For purposes of this Agreement, "TRANSACTION PROPOSAL" shall mean any proposal (other than any proposal by Purchasers or their affiliates) regarding (i) any merger, consolidation, share exchange, business combination or other similar transaction or series of related transactions involving the Company or a Subsidiary of the Company; (ii) any sale, lease, exchange, transfer or other disposition of more than twenty percent (20%) of the assets of the Company or any Subsidiary of the Company; (iii) any acquisition of a substantial equity interest in the Company or any equity interest in any of its Subsidiaries (with "substantial equity interest" meaning (a) in the case of an institutional investor acquiring such interest for investment purposes only, equity interests representing at least 20% of the Company's outstanding capital stock (by voting power or otherwise) prior to such investment and (b) in any other case, at least 10% of the Company's outstanding capital stock (by voting power or otherwise) prior to such investment); (iv) any offer to purchase (whether from the Company or otherwise), tender offer, exchange offer or similar



transaction involving the capital stock of the Company or any Subsidiary of the Company; and (v) a liquidation or dissolution of the Company.

5.5.3. Notwithstanding anything to the contrary contained in this Section 5.5 or elsewhere in this Agreement, the Company may, in response to an unsolicited bona fide Transaction Proposal from an unaffiliated third party, participate in discussions or negotiations with or furnish information to the third party making such Transaction Proposal, if all of the following events have occurred: (a) such third party has made a written proposal to the Board of the Company to consummate a Transaction Proposal, which proposal identifies a price to be paid for the capital stock or assets of the Company that the Board reasonably has determined, if such transaction is consummated, would be financially more favorable to the stockholders of the Company than the transactions contemplated under this Agreement (a "SUPERIOR PROPOSAL"); (b) the Board reasonably has determined that such third party is financially capable of consummating such Superior Proposal and that such Superior Proposal is at least as likely to be consummated, and is not subject to materially greater conditions, than the transactions contemplated by this Agreement; (c) the Board shall have reasonably determined, after consultation with its outside legal counsel, that the failure to participate in discussions or negotiations with or furnish information to such third party would result in a substantial risk of liability for a breach of the fiduciary duties of the members of such Board under applicable Delaware law; and (d) the Purchaser Representative shall have been notified in writing of such Transaction Proposal, including its principal financial and other material terms and conditions, including the identity of the person and its affiliates (if relevant) making such Transaction Proposal.

Notwithstanding the foregoing, the Company shall not provide any non-public information to such third party unless (a) it has prior to the date thereof provided such information to the Purchaser Representative, and (b) it has provided such non-public information pursuant to a non-disclosure agreement with terms which are at least as restrictive as the Nondisclosure Agreement dated February 3, 2003, heretofore entered into between the Company and PS Capital LLC. In addition to the foregoing, the Company shall not accept or enter into any agreement concerning a Superior Proposal nor issue any securities or agree to pay a termination or break-up fee in connection with a Superior Proposal for a period of not less than 36 hours after Purchasers' receipt of the notification in clause (d) of the preceding paragraph, and the Company will afford Purchasers an opportunity to discuss with the Company what, if any, response Purchasers may desire to make with to such Transaction Proposal. If the Company intends to accept such Superior Proposal, the Company shall first offer to the Purchasers in writing the right to enter into a transaction with the Company on substantially equivalent terms and conditions, which offer shall clearly set forth the terms thereof, and Purchasers shall then be entitled to 5 business days to determine whether to accept such offer. Upon the occurrence of all of the events in the preceding paragraph and this paragraph, and if the Purchasers have not elected within the required 5 day period to accept the offer described in the preceding sentence, the Company shall be entitled to (1) change its recommendations concerning the Purchaser Acquisitions, (2) accept such Superior Proposal, and (3) enter into an agreement with such third party concerning a Superior Proposal provided that the Company shall immediately make payment in full of the expenses provided for in Section 11.2. Company will promptly communicate to Purchasers the principal terms of any proposal or inquiry, including the

identity of the person and its affiliates making the same, that it may receive in respect of any such Transaction Proposal, or of any such information requested from it or of any such negotiations or discussions being sought to be initiated with it regarding a Transaction Proposal.

5.6. Additional Issuances.

5.6.1. At any time after the Third Closing, in the event the Company shall issue (an "ADDITIONAL ISSUANCE") any capital stock, including securities of any type that are, or may become, convertible into or exercisable or exchangeable for capital stock of the Company (the "ADDITIONAL SECURITIES"), each Purchaser shall have the right to subscribe for and to purchase that number of Additional Securities such that such Purchaser holds the same percentage of the Company's outstanding capital stock immediately prior to and immediately following the Additional Issuance (the "PRO RATA SHARE"); provided, however, that this Section 5.6 shall not apply to shares issued:

(a) to employees, officers or directors of, or consultants or advisors to the Company or any Subsidiary, pursuant to stock purchase, Company Option Plans, other option plans or arrangements approved by the Board;

(b) pursuant to any options, warrants, conversion rights or other rights or agreements outstanding as of the date of this Agreement or pursuant to the conversion of the shares of Series B Preferred Stock contemplated to be issued pursuant to this Agreement;

(c) in connection with any stock split, stock dividend or recapitalization by the Company;

(d) pursuant to a Superior Proposal if this Agreement is terminated in connection therewith; or

(e) in any Additional Issuance that reduces the Purchaser's equity percentage by less than 10% of its holdings, so long as at the time of an Additional Issuance which either solely or considered together with prior Additional Issuances that reduced the Purchaser's equity percentage by less than 10% is an Additional Issuance of greater than 10%, the Purchaser has the right to purchase common stock in order to retain the percentage ownership it had at the time of the first Additional Issuance which did not exceed 10%.

5.6.2. If the Company proposes an Additional Issuance, the Company shall, at least fifteen (15) business days prior to the proposed closing date of such issuance, give written notice to the Purchaser Representative and offer to sell to each Purchaser its Pro Rata Share of the Additional Securities at the lowest price per share, and otherwise on the same terms and conditions (or, if the nature of the transaction involves an exchange of assets or securities which cannot be delivered by each Purchaser, then for cash on the same economic terms), offered to other investors. Such notice shall describe the type of Additional Securities which the Company is offering to each Purchaser, the price of the Additional Securities and the general terms upon which the Company will issue same. Each

Purchaser shall have five (5) business days from the date of mailing of any such notice to agree to purchase its Pro Rata Share of such Additional Securities for the price and upon the general terms specified in the notice by giving written notice to the Company and stating therein the quantity of Additional Securities to be purchased. Sale and issuance of the Additional Securities which Purchaser has elected to purchase shall be effected concurrently with the closing of the issuance of securities which gave rise to Purchaser's right to buy such securities, but only after compliance with all governmental regulations.

5.7. Amendments of Charter Documents. The Company shall take all necessary action to amend the Certificate of Incorporation so as to amend and restate the certificate of designation of its Series A Preferred Stock in the form set forth as Exhibit K (the "CERTIFICATE AMENDMENTS"). The Company shall use reasonable efforts take all steps reasonably necessary to effect any other amendment of the Certificate of Incorporation and Bylaws (subject, where necessary, to obtaining stockholder consent) to implement the rights and obligations of the parties contained herein to the extent necessary or appropriate under Delaware law.

5.8. Issuance of Additional Shares of Series B Preferred Stock. The Company shall not issue any shares of Series B Preferred Stock in excess of the number of shares to be issued pursuant to this Agreement, including the shares issuable pursuant to rights of participation disclosed in Section 3.6.1 hereof, unless the Company obtains the prior written consent of Purchasers holding a majority of the shares of Common Stock issuable upon exercise or conversion of the securities. Without limitation of any other remedies, the Purchasers shall be entitled to injunctive relief to prevent any issuance prohibited by this Section.

## 6. Additional Covenants of the Parties.

6.1. Conditions to the First Closing, Sanmina Closing and Third Closing. The Company and each Purchaser, severally and not jointly, agree to use their respective commercially reasonable best efforts to ensure that the conditions set forth in Sections 7, 8 and 9 are satisfied, insofar as such matters are within their respective control. In that regard, each party hereto, at the request of the other party hereto, shall execute and deliver such other instruments and do and perform such other acts and things (including, but not limited to, all action reasonably necessary to seek and obtain any and all consents and approvals of any government or regulatory authority or person required in connection with the transactions contemplated under this Agreement); provided, however, that Purchasers shall not be obligated to consent to any payment by the Company (or any modification of any contract) requested in connection with the delivery of any consent, and no party shall be obligated to make a payment of money as a condition to obtaining any such consent or approval.

6.2. Nominees. The Company shall cause the Board of Directors of the Company and any nominating committee thereof (subject to its fiduciary duties) to take such steps as are necessary to nominate for election at the next two annual meetings of the Company's shareholders individuals to be designated by the Purchaser Representative (up to a maximum of 4 directors, subject to a proportionate increase if the size of the Board is

increased above 7 members), provided that such obligation shall expire in the event this Agreement is terminated prior to the Third Closing.

6.3. Board Observation. In addition to, and without limiting the generality of, Section 6.2 above, from the date hereof until the consummation of the Third Closing (or the termination of this Agreement), the Company shall permit one designee of Purchaser Representative to, attend, but not vote on any proposals at, all meetings (including in person and telephonic meetings) of the Company's Board and all committees thereof. The Company shall provide Purchaser Representative and its designee with copies of all notices of such meetings sent to the Company's directors as well as copies of all materials distributed to the Company's directors in connection with such meetings (which may be sent via facsimile or e-mail) at the same time such notices and materials are provided to members of the board.

6.4. Transaction Documents. At each Closing, each party shall, and shall cause each of its affiliates to, execute and deliver to the other party the Transaction Documents that are to be delivered at the such Closing.

6.5. Regulatory Approval. The Company and each Purchaser shall use commercially reasonable efforts to file, as soon as practicable after the date of this Agreement, all notices, reports and other documents required to be filed with any Governmental Authority with respect to the transactions contemplated by this Agreement, and to submit promptly any additional information requested by any such Governmental Authority. Each of the Company and each Purchaser shall (A) give the other parties hereto prompt notice of the commencement of any action, suit, litigation, arbitration, preceding or investigation ("LEGAL PROCEEDING") by or before any Governmental Authority with respect to the transactions contemplated by this Agreement and (B) keep the other party informed as to the status of any such Legal Proceeding.

6.6. Disclosure; Public Announcements. At all times at or before the Third Closing, no party hereto will issue or make any reports, statements or releases to the public with respect to this Agreement or the transactions contemplated hereby without the consent of the other party hereto, which consent shall not be unreasonably withheld. If either party hereto is unable to obtain, after reasonable effort, the approval of its public report, statement or release from the other party hereto and such report, statement or release is, in the opinion of legal counsel to such party, required by law in order to discharge such party's disclosure obligations, then such party may make or issue the legally required report, statement or release and promptly furnish the other parties with a copy thereof. Each party hereto will also obtain the prior approval of the other party hereto of any press release to be issued announcing the consummation of the transactions contemplated by this Agreement; provided, however, no such press release shall be issued prior to consummation of the First Closing.

6.7. No General Solicitation or General Advertising. In the case of each issuance of securities, including, without limitation, the Shares, Warrants, the Tranche I Notes and the Sanmina Notes, pursuant to the terms of this Agreement, each Purchaser and the Company, including any of such Purchaser's or Company's representatives, agree not to use any form of general solicitation or general advertising, including without limitation,

advertisements, articles, notices or other communications published in any newspaper, magazine or similar medium or broadcast over television or radio, or any seminar or meeting whose attendees have been invited by any general solicitation or general advertising.

6.8. Other Sales of Series B Preferred Stock. Except as contemplated by Section 3.6.1 and within the limits set forth therein, the Company shall not at any time in the future (whether before or after the Third Closing), issue, offer to sell, sell or enter into any agreement to issue or sell any shares of Series B Preferred Stock (other than the Shares contemplated hereby) to any purchaser without the consent of the Purchaser Representative. The participation rights described in Section 3.6.1 shall be honored by increasing (to the extent necessary) the number of securities to be sold hereunder, and not by reducing any Purchaser's allocation hereunder.

## 7. Conditions to the First Closing

7.1. Conditions to Purchasers' Obligations at the First Closing. The Purchasers' obligations to purchase the Tranche I Notes and First Issuance Warrants at the First Closing are subject to the satisfaction (or waiver by Purchaser Representative), at or prior to the First Closing, of the following conditions:

7.1.1. Representations and Warranties True. All of the Company's representations and warranties in this Agreement (considered collectively), and each of these representations and warranties (considered individually), shall have been accurate in all material respects as of the date of this Agreement, and shall be accurate in all material respects as of the First Closing Date as if then made. Each of the representations and warranties that contain an express materiality qualification or are qualified by "Material Adverse Effect" shall have been accurate in all respects as of the date of this Agreement, and shall be accurate in all respects as of the First Closing Date as if then made. In either case, any representation or warranty made as of a specific date shall be true and correct as of such specific date.

7.1.2. Performance of Obligations. The Company shall have performed in all material respects all covenants and obligations herein required to be performed or observed by it on or prior to the First Closing.

7.1.3. Consents, Permits, and Waivers. On or prior to the First Closing Date, Purchasers and the Company shall have obtained the consents necessary for consummation of the transactions contemplated by this Agreement and the other Transaction Documents from Silicon Valley Bank, Commercial Finance Division and Sanmina. Purchasers shall also have received reasonable assurances from NASDAQ that it will not object to the submission of the Shareholder Proposals to the Company's stockholders or to the consummation of the transactions contemplated hereby.

7.1.4. Absence of Restraint. No order to restrain, enjoin or otherwise prevent the consummation of the transactions contemplated hereby shall have been entered by any court or other Governmental Authority and not rescinded or overturned. No litigation instituted by any governmental body or other regulatory authority shall be

pending to restrain or invalidate any material part of the transactions contemplated by this Agreement.

7.1.5. Absence of Material Adverse Change. There shall not have occurred after the date hereof any material adverse change in the business, properties, results of operation, financial condition or prospects of the Company and its Subsidiaries taken as a whole.

7.1.6. Voting Agreements. The Company shall have delivered to Purchasers Voting Agreements covering 1,312,479 shares (17.91%) of outstanding Common Stock and a majority of the shares of outstanding Series A Preferred Stock.

7.1.7. Termination of Agreements. The agreements set forth on Schedule 7.1.7 shall have been terminated by the parties thereto and the Company released from all obligations thereunder.

7.1.8. Compliance Certificate. The Company shall have delivered to Purchasers a Compliance Certificate, executed by the President and the Chief Financial Officer of the Company, dated as of the First Closing Date, to the effect that the conditions specified in Sections 7.1.1 through 7.1.7 have been satisfied.

7.1.9. Legal Opinion. Purchasers shall have received from Latham & Watkins LLP an opinion addressed to it, dated as of the First Closing date, covering the matters set forth in Exhibit H and otherwise in form and substance satisfactory to Purchaser Representative.

7.2. Conditions to Obligations of the Company. The Company's obligation to issue and sell the Tranche I Notes and First Issuance Warrants at the First Closing is subject to the satisfaction (or waiver by the Company), on or prior to the First Closing, of the following conditions:

7.2.1. Representations and Warranties True. All of the Purchaser's representations and warranties in this Agreement (considered collectively), and each of these representations and warranties (considered individually), shall have been accurate in all material respects as of the date of this Agreement, and shall be accurate in all material respects as of the First Closing Date as if then made. Each of the representations and warranties that contain an express materiality qualification or are qualified by "Material Adverse Effect" shall have been accurate in all respects as of the date of this Agreement, and shall be accurate in all respects as of the First Closing Date as if then made. In either case, any representation or warranty made as of a specific date shall be true and correct as of such specific date.

7.2.2. Performance of Obligations. Purchasers shall have performed in all material respects all covenants and obligations herein required to be performed or observed by it on or prior to the First Closing.

7.2.3. Consents, Permits, and Waivers. On or prior to the First Closing Date, the Company shall have obtained the consents necessary for consummation of

the transactions contemplated by this Agreement and the other Transaction Documents from Silicon Valley Bank, Commercial Finance Division and Sanmina.

7.2.4. Absence of Restraint. No order to restrain, enjoin or otherwise prevent the consummation of the transactions contemplated hereby shall have been entered by any court or other Governmental Authority.

## 8. Conditions to the Sanmina Closing

8.1. Conditions to Purchasers' Obligations at the Sanmina Closing. Purchasers' obligations to purchase the Sanmina Notes at the Sanmina Closing is subject to the satisfaction (or waiver by Purchaser Representative), at or prior to the Sanmina Closing, of the following conditions:

8.1.1. Stockholder Approval. On or prior to the Sanmina Closing Date, the Shareholder Proposals shall have been approved by the affirmative vote of the holders a majority of the each class of capital stock of the Company represented and voting on such matters (the "REQUISITE VOTE").

8.1.2. Sanmina Deliveries. Sanmina and Sanmina ULC shall have executed and delivered to the Purchasers an assignment of their rights to payment and security under the Settlement Agreement and related Sanmina Security Agreement in form and substance reasonably acceptable to the Purchasers;

8.1.3. Sanmina Release. Sanmina and Sanmina ULC shall have executed and delivered to the Purchasers a release of the Purchasers and the Company from all claims arising out of the Settlement Agreement and related Sanmina Security Agreement, signed by Sanmina and Sanmina ULC, the form of which shall be reasonably acceptable to the Purchasers and the Company.

8.1.4. Legal Opinion. Purchasers shall have received from Latham & Watkins LLP an opinion addressed to it, dated as of the Sanmina Closing date, covering the matters set forth in Exhibit L and otherwise in form and substance satisfactory to Purchaser Representative.

8.2. Conditions to the Company's Obligations at the Sanmina Closing.

8.2.1. Delivery of Release. Sanmina shall have executed and delivered to the Company a release of the Company from all claims arising out of the Settlement Agreement and related Sanmina Security Agreement, signed by Sanmina and Sanmina ULC and in form and substance reasonably acceptable to the Company.

## 9. Conditions to the Third Closing.

9.1. Conditions to Purchasers' Obligations at the Third Closing. Purchasers' obligations to purchase the Third Issuance Shares at the Third Closing are subject to the satisfaction (or waiver by Purchaser Representative), at or prior to the Third Closing, of the following conditions:

9.1.1. Representations and Warranties True. All of the Company's representations and warranties in this Agreement (considered collectively), and each of these representations and warranties (considered individually), shall have been accurate in all material respects as of the date of this Agreement, and shall be accurate in all material respects as of the First Closing Date as if then made. In the reasonable discretion of Purchaser's based on their ongoing due diligence investigation of the Company, each of the representations and warranties that contain an express materiality qualification or are qualified by "Material Adverse Effect" shall have been accurate in all respects as of the date of this Agreement, and shall be accurate in all respects as of the First Closing Date as if then made. In either case, any representation or warranty made as of a specific date shall be true and correct as of such specific date.

9.1.2. Performance of Obligations. The Company shall have performed in all material respects all covenants and obligations herein required to be performed or observed by it on or prior to the Third Closing.

9.1.3. Consents, Permits, and Waivers. On or prior to the Third Closing Date, Purchasers and the Company shall have obtained any and all consents, permits and waivers necessary for consummation of the transactions contemplated by this Agreement and the other Transaction Documents (except for such as may be properly obtained subsequent to the Third Closing) unless the failure to obtain such consents, permits or waivers is a result of a breach by Purchasers.

9.1.4. Absence of Restraint. No order to restrain, enjoin or otherwise prevent the consummation of the transactions contemplated hereby shall have been entered by any court or other Governmental Authority and not rescinded or overturned. No litigation instituted by any governmental body or other regulatory authority shall be pending to restrain or invalidate any material part of the transactions contemplated by this Agreement.

9.1.5. Absence of Material Adverse Change. There shall not have occurred after the date hereof any material adverse change in the business, properties, results of operation, financial condition or prospects of the Company and its Subsidiaries taken as a whole. For purposes of the foregoing, a mere change in the trading value of the Company's common stock or change in the Company's listing from Nasdaq NM to Nasdaq SmallCap shall not be deemed a material adverse change.

9.1.6. Stockholder Approval. On or prior to the Third Closing Date, the Shareholder Proposals shall have been approved by the affirmative vote of the holders a majority of the each class of capital stock of the Company represented and voting on such matters (the "REQUISITE VOTE").

9.1.7. Certificate of Designation. The Certificate of Designation and the Certificate Amendments shall have been duly filed with the Secretary of State of the State of Delaware.

9.1.8. Compliance Certificate. The Company shall have delivered to Purchasers a Compliance Certificate, executed by the President and the Chief Financial



Officer of the Company, dated as of the Third Closing Date, to the effect that the conditions specified in Sections 9.1.1 through 9.1.7 have been satisfied.

9.1.9. Sanmina Closing. The Sanmina Closing shall have occurred as described herein.

9.1.10. Legal Opinion. Purchasers shall have received from Latham & Watkins LLP an opinion addressed to it, dated as of the Third Closing Date, covering the matters set forth in Exhibit K and otherwise in form and substance satisfactory to Purchaser Representative.

9.1.11. Purchaser Comfort. Purchasers shall have determined, in their reasonable and good faith discretion, that the conditions set forth in Section 9.1.1 have been fulfilled.

9.2. Conditions to Obligations of the Company. The Company's obligation to issue and sell the Third Issuance Shares at the Third Closing is subject to the satisfaction (or waiver by the Company), on or prior to the Third Closing, of the following conditions:

9.2.1. Representations and Warranties True. All of the Purchaser's representations and warranties in this Agreement (considered collectively), and each of these representations and warranties (considered individually), shall have been accurate in all material respects as of the date of this Agreement, and shall be accurate in all material respects as of the First Closing Date as if then made. Each of the representations and warranties that contain an express materiality qualification or are qualified by "Material Adverse Effect" shall have been accurate in all respects as of the date of this Agreement, and shall be accurate in all respects as of the First Closing Date as if then made. In either case, any representation or warranty made as of a specific date shall be true and correct as of such specific date.

9.2.2. Performance of Obligations. Purchasers shall have performed in all material respects all covenants and obligations herein required to be performed or observed by it on or prior to the Third Closing.

9.2.3. Absence of Restraint. No order to restrain, enjoin or otherwise prevent the consummation of the transactions contemplated hereby shall have been entered by any court or other Governmental Authority.

9.2.4. Stockholder Approval. On or prior to the Third Closing Date, the Shareholder Proposals shall have been approved by the Requisite Vote of the Company's stockholders.

## 10. Termination.

10.1. Termination. The obligations of the parties contained herein relating to the sale and purchase of the Third Issuance Shares (the "THIRD ISSUANCE AGREEMENTS") may be terminated at any time prior to the Third Closing Date:

10.1.1. By mutual agreement of the Company and  
Purchaser Representative;

10.1.2. By either the Company or Purchaser  
Representative if:

(a) the Third Closing shall not have been consummated by July 31, 2003 (such date being referred to as the "Expiration Date"); provided, however, that if the Third Closing shall not have been consummated by the Expiration Date due primarily to delays in receiving clearance of the Proxy Statement from the SEC despite the good faith efforts of the Company to file the Proxy Statement and amendments thereto on a timely basis and obtain such clearance, then the Expiration Date shall be extended to September 30, 2003, and provided further that no party may terminate this Agreement under this Section 10.1.2(a) if the failure to consummate the Third Closing is attributable to a failure on the part of the party seeking to terminate this Agreement to perform any obligation required to be performed by such party at or prior to the Third Closing Date;

(b) the Requisite Vote of the Company's stockholders shall not have been obtained at the Stockholders Meeting duly convened and finally adjourned; or

(c) any Governmental Authority shall have issued an injunction, order or decree (a "RESTRAINT") or taken any other action permanently enjoining, restraining or otherwise prohibiting the consummation of the transactions contemplated by this Agreement and such Restraint or other action shall become final and non-appealable, provided the party seeking to terminate this Agreement shall have used its best efforts to prevent entry of and to remove such Restraint.

Notwithstanding the foregoing, the Expiration Date shall in no event be extended beyond the expiration date of that certain letter agreement dated as of March 12, 2003, from Sanmina to the Purchasers relating to the Sanmina Purchase, unless (and only to the extent) the Purchaser Representative specifies to the contrary by written notice to the Company.

10.1.3. By Purchaser Representative if:

(a) the Board (i) shall have failed to recommend, or shall have withdrawn, modified or changed in a manner adverse to any Purchaser its approval or recommendation, of the Transaction Documents, the Purchaser Acquisitions or the other transactions contemplated thereby, or the Board or any committee thereof shall have resolved to take any of the foregoing actions, (ii) shall have submitted or recommended to the stockholders of the Company or shall have approved a Transaction Proposal, (iii) shall have accepted or recommended to its stockholders a Superior Proposal, or (iv) shall have publicly announced its intention to do any of the foregoing;

(b) the Company shall have breached or failed to perform in any material respect any of its representations or warranties (with respect to

materiality, in a manner such that the condition in Section 7.1.1 or 9.1.1 would not be satisfied), or covenants or other agreements contained in this Agreement, which breach or failure to perform cannot be or has not been cured within five days after the giving of written notice to the Company of such breach and which, as a result of such breach, considered either individually or in the aggregate, any condition to Purchasers' obligations to consummate the First Closing or the Third Closing set forth in Section 7.1 or 9.1 would not at that time be satisfied (a "COMPANY MATERIAL BREACH") (provided that Purchasers are not then in Purchaser Material Breach (as defined below) of any representation, warranty, covenant or other agreement contained in this Agreement); or

(c) the Company shall have breached or failed to perform in any respect any of its obligations under Section 5.5; provided the Company shall be deemed to have breached its obligations under Section 5.5 if any Affiliated Person of the Company, or any Representative of the Company and its Affiliated Persons, shall have engaged in any activities prohibited by Section 5.5.

10.1.4. By the Company, if (i) Purchasers shall have breached or failed to perform in any material respect any of their representations or warranties (with respect to materiality, in a manner such that the condition in Section 7.2.1 or 9.2.1 would not be satisfied), or covenants or other agreements contained in this Agreement, which breach or failure to perform cannot be or has not been cured within five days after the giving of written notice to Purchasers of such breach and which, as a result of such breach, considered either individually or in the aggregate, any condition to the Company's obligations to consummate the Sanmina Closing, the First Closing or the Third Closing would not at that time be satisfied (a "PURCHASER MATERIAL BREACH") (provided that the Company is not then in Company Material Breach of any representation, warranty, covenant or other agreement contained in this Agreement), or (ii) the Board shall have withdrawn or modified in a manner adverse to any Purchaser the Board's approval of the Transaction Documents or (iii) the Board has accepted a Superior Proposal in accordance with the provisions of Section 5.5 hereof.

10.2. Effect of Termination. In the event of the termination of the Third Issuance Agreements pursuant to Section 10.1, the Third Issuance Agreements shall become void and have no effect, without any liability on the part of any party or its directors, officers or stockholders, except as set forth in Section 11. Notwithstanding the foregoing, nothing in this Section 10.2 or in Section 11 shall relieve any party to this Agreement of liability for fraud in connection with this Agreement.

## 11. Fees and Expenses.

11.1. Except as contemplated by Section 10.2, all costs and expenses incurred in connection with this Agreement and the consummation of the transactions contemplated hereby shall be paid by the party incurring such expenses.

11.2. At the First Closing and the Third Closing (or upon termination of this Agreement by the Company or Purchaser Representative under Section 10.1.2 or by the Purchaser Representative under Section 10.1.3, other than a termination by the Company

under 10.1.2(a) if the failure to close by the Expiration Date arises primarily out of a Purchaser Material Breach), the Company shall pay from the proceeds of the sale of the Tranche I Notes or the Third Issuance Shares (as applicable) the reasonable fees and expenses of Irell & Manella LLP as counsel to Purchasers and of FTI Consulting; provided that the Company's payments under this Section 11.2 combined shall not exceed Two Hundred Fifty Thousand Dollars (\$250,000) in the aggregate, of which no more than \$125,000 shall be payable at the First Closing, provided that remaining payments at the Third Closing (or upon the termination described above) may include any costs incurred prior to the First Closing to the extent not covered by the first \$125,000; provided, the Purchaser Representative shall provide the Company with copies of statements from Irell & Manella LLP prior to the Third Closing. Further, the \$20,000 paid to FTI Consulting prior to the date hereof shall apply toward such payments. In connection with the First Closing and the Third Closing, Purchasers may remit payment for such fees directly to Irell & Manella LLP and FTI Consulting, and such remittance shall constitute payment to the Company for purposes of satisfying such Purchasers' payment obligations to the Company at such Closing.

## 12. Miscellaneous.

12.1. Purchaser Representative. Each Purchaser hereby irrevocably appoints Henry Sweetbaum as agent and attorney-in-fact (the "PURCHASER REPRESENTATIVE") for each such Purchaser, for and on behalf of the Purchasers, to give and receive notices and communications, to object to such deliveries, to agree to, negotiate, enter into settlements and compromises of this Agreement, comply with orders of courts and awards of arbitrators with respect to such any claims under this Agreement, and to take all actions necessary or appropriate in the judgment of the Purchaser Representative for the accomplishment of the foregoing. Each of the Purchasers acknowledges and agrees that this appointment and power of attorney is irrevocable during the term of this Agreement and is coupled with an interest; provided, however, that such agency may be changed by the Purchasers from time to time upon not less than five (5) days prior written notice to Company; provided, further, that the Purchaser Representative may not be removed unless Purchasers that are allocated two-thirds of the Shares to be acquired hereunder agree to such removal and to the identity of the substituted Purchaser Representative. Any vacancy in the position of Purchaser Representative may be filled by approval of the holders of a majority in interest of the Shares to be acquired hereunder. No bond shall be required of the Purchaser Representative, and the Purchaser Representative shall not receive compensation for his services other than compensation (if any) paid to Purchaser Representative by the Purchasers which the Purchasers have separately agreed to provide to Purchaser Representative. Notices or communications to or from the Purchaser Representative shall constitute notice to or from each of the Purchasers.

12.2. Survival of Representations, Warranties and Agreement. Notwithstanding any investigation made by any party to this Agreement, the representations and warranties made by the Company and Purchaser in connection with the First Closing and the Third Closing shall survive the First Closing and Third Closing, respectively, for a period of 18 months (other than the representations and warranties of the Company set forth in Sections 3.1, 3.2, 3.4.1, 3.4.2(iii), 3.5 and 3.6, which shall survive indefinitely or, if

applicable, for the period ending 90 days after the expiration of the applicable statute of limitations), and shall thereafter be of no further force or effect, except in the case of fraud in connection with this Agreement. All covenants and agreements contained in this Agreement (except to the extent the Third Issuance Agreements are terminated pursuant to Section 10) shall survive the First Closing Date and Third Closing Date in accordance with their terms.

12.3. Notices. All notices, requests, consents and other communications hereunder shall be in writing, shall be in writing, shall be mailed by first-class registered or certified airmail, or nationally recognized overnight express courier postage prepaid, and shall be deemed given when so mailed and shall be delivered as follows:

if to the Company, to:

Novatel Wireless, Inc.  
9360 Towne Centre Drive, Suite 110  
San Diego, CA 92121  
Attention: Patrick Waters, Esq., General  
Counsel, and Peter  
Leparulo, Chief Executive Officer

with a copy so mailed to:

Latham & Watkins LLP  
633 West Fifth Street, Suite 4000  
Los Angeles, CA 90071-2007  
Attention: J. Scott Hodgkins, Esq.

if to any Purchaser to the address set forth for such Purchaser on the signature pages hereto;

with a copy so mailed to:

Irell & Manella LLP  
1800 Avenue of the Stars, Suite 900  
Los Angeles, CA 90067  
Attention: Alvin G. Segel, Esq.

12.4. Force Majeure. In addition to the foregoing, no party shall be deemed to have breached this Agreement solely by reason of delay or failure in performance resulting from any cause, condition or event beyond the reasonable control of the Company, including, but not limited to, acts of God, fire, flood, war (or significant terrorist activity), government action (including eminent domain), accident, or inability to obtain material, utilities, equipment or transportation (any such cause, condition or event a "FORCE MAJEURE EVENT"). The parties agree to cooperate in an attempt to overcome such Force Majeure Event and consummate the transactions contemplated by this Agreement, but, if either party reasonably believes that its interests would be materially and adversely affected by proceeding, such party shall be entitled to terminate this Agreement.

12.5. Assignability and Enforceability. This Agreement shall be binding on and enforceable by the parties and their respective successors and permitted assigns. No party may assign any of its rights, benefits or obligations under this Agreement to any person without the prior written consent of the other party (which shall not be unreasonably withheld); provided, however, that any Purchaser may assign its rights or obligations to purchase any securities under this Agreement, without the prior consent of the Company, to any other Purchaser or to any affiliate of any Purchaser (or any fund or account managed by any Purchaser) that is an "accredited investor" as defined in Rule 501(a) promulgated under the Securities Act, provided that the assignee executes an assumption agreement reasonably satisfactory to the Company pursuant to which it shall make the representations and warranties set forth in Section 4 hereof. No such assignment shall relieve the Purchasers of their obligations under this Agreement.

12.6. Amendments and Waivers. No amendment or waiver of any provision of this Agreement shall be binding on any party unless consented to in writing by such party. No waiver of any provision of this Agreement shall be construed as a waiver of any other provision nor shall any waiver constitute a continuing waiver unless otherwise expressly provided. No provision of this Agreement shall be deemed waived by a course of conduct including the act of closing unless such waiver is in writing signed by all parties and stating specifically that it was intended to modify this Agreement.

12.7. Entire Agreement. This Agreement and the other Transaction Documents, including the Schedules and Exhibits and any agreements or documents referred to herein or therein or executed contemporaneously herewith or therewith, constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether written or oral. There are no conditions, covenants, agreements, representations, warranties or other provisions, express or implied, collateral, statutory or otherwise, relating to the subject matter hereof except as herein provided.

12.8. Headings. The headings of the various sections of this Agreement have been inserted for convenience of reference only and shall not be deemed to be part of this Agreement.

12.9. Severability. In case any provision contained in this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

12.10. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California, without regard to the choice of law provisions thereof.

12.11. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute but one instrument, and shall become effective when one or more counterparts have been signed by each party hereto and delivered to the other parties.

13. Note Agent.

13.1. Appointment. With respect to the Tranche I Notes and the Sanmina Notes, each Purchaser hereby irrevocably appoints PS Capital LLC as agent and attorney-in-fact (the "AGENT"), for and on behalf of each such Purchaser, and Agent is irrevocably authorized and empowered to (i) enter into the security agreement with respect to the Tranche I Notes ("TRANCHE I SECURITY AGREEMENT") for the pro rata benefit of holders of the Tranche I Notes ("TRANCHE I HOLDERS") and enter into the security agreement with respect to the Sanmina Notes ("SANMINA SECURITY AGREEMENT") for the pro rata benefit of holders of the Sanmina Notes ("SANMINA HOLDERS"); hold the Collateral as defined in the Tranche I Security Agreement ("TRANCHE I COLLATERAL") for the pro rata benefit of the Tranche I Holders, and to hold the Collateral (as defined in the Sanmina Security Agreement ("SANMINA COLLATERAL")) for the pro rata benefit of the Sanmina Holders; (ii) exercise such authority, rights, powers, and duties hereunder as specifically are delegated to and accepted by the Agent hereunder; and (iii) take such other action in connection with the foregoing as the Tranche I Holders and the Sanmina Holders, respectively, may from time to time direct in accordance with the terms and conditions of this Agreement, the Tranche I Notes and the Tranche I Security Agreement, and the Sanmina Notes and the Sanmina Security Agreement, respectively. (For purposes of this Section 13: each of the Tranche I Holders and the Sanmina Holders shall be referred to as a "HOLDER"; each of the Tranche I Collateral and the Sanmina Collateral shall be referred to as the "COLLATERAL"; each of the Tranche I Notes and the Sanmina Notes shall be referred to as a "NOTE"; each of the Tranche I Security Agreement and the Sanmina Security Agreement shall be referred to as a "SECURITY AGREEMENT"; and, "REQUIRED HOLDERS" shall mean, with respect to either the Tranche I Notes or the Sanmina Notes, at any time, holders of such Notes having more than 50% of the outstanding unpaid principal amounts thereunder.) PS Capital LLC hereby accepts its appointment as Agent with respect to the Notes, the Collateral and the Security Agreements and agrees to perform the duties of the Agent specified herein, and therein, respectively and to exercise the powers granted hereby and thereby, in either case in accordance with the terms hereof or thereof, as the case may be.

13.2. Fees. Each Holder severally agrees to pay or cause to be paid the Agent its pro rata share (based on the relative percentage of the Notes held by such Holder) of all the fees, costs and expenses incurred in good faith by the Agent (including, without limitation, the fees and disbursements of its counsel and other advisers as the Agent reasonably elects to retain) (i) arising in connection with this Agreement, the Notes and the Security Agreements, in connection with the administration of the Collateral, the sale or other disposition thereof pursuant to the Security Agreements and the preservation, protection or defense of the Holders' rights under the Notes and the Agent's rights under the Security Agreements and in and to the Collateral or (ii) incurred in good faith by the Agent in connection with the resignation or removal of the Agent pursuant to Section 13.12.

13.3. Duties, Powers and Rights of the Agent.

13.3.1. Specific Duties of the Agent. The Agent shall have the following duties:

(a) upon the receipt by it of instructions from the Required Holders (as defined below), execute and deliver on behalf of the Holders such documents as the Required Holders shall deem necessary or appropriate and provide to the Agent from time to time to maintain the perfection of any lien in, to or upon the Collateral or any portion thereof, that has been, are or will be granted in favor of the Agent pursuant to the Security Agreements;

(b) accept, on behalf of the Holders, any part of the Collateral delivered to it, including, without limitation, any certificated securities, instruments and documents, and execute and deliver, on behalf of the Holders, such documents or instruments as the Required Holders deem necessary or appropriate and provide to the Agent to evidence the creation of any lien with respect thereto and to perfect such lien;

(c) upon the receipt by it of written instructions executed by the Required Holders, release the Collateral or any portion thereof from any liens thereon that were created pursuant to the Security Agreements;

(d) furnish to the Holders, promptly upon receipt thereof, duplicates of all reports, notices, requests, demands, certificates and other documents received by it under this Agreement, the Notes, the Security Agreements or other documents provided for herein or therein;

(e) provide to the Holders a copy of all written notices received from the Company with respect to any capital stock or securities that constitute Collateral and, upon receipt by it of written instructions of the Holders, exercise all rights and powers determined by the Required Holders that are appurtenant to any such capital stock or securities that become a part of the Collateral, including, without limitation, the right to vote stock, to receive dividends or other distributions, and to grant or refrain from granting any consent or waiver, all in accordance with such written instructions;

(f) inform the Holders in writing of the existence of any Default or Event of Default (as defined in the Notes) promptly upon learning of the same; provided, however, that the Agent shall not be deemed to have any knowledge whatsoever of any Default or Event of Default unless the Agent has actually received written notice stating that a Default or an Event of Default has occurred from any of the Holders or the Company;

(g) upon receipt by it of written instructions of the Required Holders, take those actions determined by the Required Holders as necessary to protect and preserve the Collateral and realize on and foreclose upon the Collateral, including, without limitation, initiating and defending any and all actions or proceedings that may be brought affecting any of the Collateral or any portion thereof or otherwise pursue any remedies available to any Holder or to it in respect of the Collateral or any portion thereof, which actions may include, without limitation, initiating and conducting any public or private sale or pursuing any other actions or remedies relating to the Collateral or any portion thereof; provided,



however, that the Agent shall be under no obligation to exercise any of its rights and powers under this Section 13 unless it shall have received security and indemnity satisfactory to it against any loss, liability or expense;

(h) provide, at the written direction of the Required Holders, notices required by the Notes (including notices of default) or the Security Agreements, or by law, to the Company, or any other party entitled thereto, in order to take any actions required or authorized to be taken under this Agreement or specified in written instructions of the Required Holders;

(i) receive any and all amounts of any kind paid pursuant to the Security Agreements and receive proceeds of the Collateral subsequent to an Event of Default and apply such amounts or proceeds as specified in Section 13.11;

(j) at the written direction of the Required Holders, (x) deliver notices requiring repayment of all or any portion of the principal amount of the Notes or declaring the Notes due and payable, (y) commence and prosecute any action against the Company in connection with any default pursuant to the Notes or the Security Agreements and otherwise enforce the rights of the Holders pursuant to the Notes and the Security Agreements, and (z) agree to waivers or amendments with respect to the Notes or the Security Agreements; and

(k) take, or refrain from taking, such other actions (but only such actions that are set forth in this Agreement) as the Required Holders shall from time to time direct by written instruction; provided, however, that the Agent may, in its sole discretion, refrain from taking such action (other than an action required or necessary to discharge any duty under Section 13.12 below) if the taking of such action would expose it to liability, financial or otherwise for which it does not receive adequate protection.

#### 13.3.2. Duties Limited.

(a) The Agent shall be obligated to perform such duties and only such duties as specifically set forth in this Agreement and no implied covenants or obligations shall be read into this Agreement against the Agent, and the Agent shall be obliged to take any actions or exercise any rights, powers or remedies which are discretionary with the Agent under this Agreement only as may be specified in a written notice from the Required Holders; provided, however, that the Agent shall not take any actions specified in a written notice if the provisions of this Agreement expressly prohibit such action. Except as expressly provided herein or in the Notes or the Security Agreements, the Agent shall not have any duty or obligation, express or implied, to:

- (i) manage, control, use, maintain, sell, dispose of, purchase, bid for or otherwise deal with the Collateral or any portion thereof, or to otherwise take or refrain from taking any action under, or in connection with this Agreement, the Notes or any Security Agreement, except to the extent required by law;

- (ii) take any action that relates to, materially affects, or impairs the amounts that the Holders may recover from disposition of the Collateral, including, without limitation, any election or waiver of remedies available under the Security Agreements, or with respect to the Collateral or the manner of foreclosure upon the same; any determination of the order and timing of foreclosure upon any portion of the Collateral or of the amount of any credit bid to be entered at any public or private, judicial, or nonjudicial sale of the Collateral; the pursuit of any remedies against the Company or any of its Subsidiaries following the completion of foreclosure upon the Collateral; the compromise or settlement of any claims against the Company or any of its Subsidiaries, including without limitation the conduct of any negotiations relating to the same or with a view toward the termination of any pending foreclosure proceedings;
- (iii) obtain or maintain insurance on the Collateral or any other insurance;
- (iv) pay or discharge any tax, assessment or other governmental charge or any lien or encumbrance of any kind owing with respect to, or assessed or levied against, any part of the Collateral;
- (v) take any action or omit to take any action provided for in the Security Agreements;
- (vi) advance any monies for any purpose; or
- (vii) except at the specific direction of the Required Holders, record or file the Security Agreements, any other document or any other instrument provided to it referred to herein or therein with respect to any lien.

(b) In addition to and not in limitation of the provisions of Section 13.3.2(a), under no circumstances shall the Agent have any duty or obligation to take any actions hereunder other than those under Section 13.12, even if instructed to do so by the Required Holders or if expressly set forth herein, if the Agent determines, in its sole and absolute discretion, that such actions would subject it to liability or expense for which satisfactory indemnity to the Agent has not been provided hereunder or otherwise.

(c) Except as otherwise provided herein, the Agent shall have no obligation or liability in respect of the recording, rerecording, filing or refiling of any instruments, documents, financing statements or continuation statements or to take any other action hereunder with respect to the security interests created pursuant to the Security Agreements, and the Agent shall have no obligation to monitor the status of the security interests as a perfected security interest created hereunder or under the Security Agreements.

13.4. Specific Powers of the Agent. In addition to all powers necessary, appropriate, desirable or incidental to the Agent's performance of the specific duties set forth in Section 13.3.1, the Agent is hereby empowered and authorized to do, in its sole and

absolute discretion, any and all of the following in connection with its performance of such duties; provided, however, that in no event shall it have any obligation to do so:

13.4.1. establish bank accounts in its name with the right to be the only party authorized to draw from such account or accounts;

13.4.2. employ such persons, firms or professionals as it shall reasonably deem appropriate or desirable in connection with the performance of its duties hereunder, including, without limitation, appraisers, auctioneers, stockbrokers, custodians of securities, fiduciaries, commercial banks, investment banks, accountants and attorneys; and

13.4.3. execute and deliver, as Agent and on behalf of the Required Holders, any agreements, escrow instructions, bills of sale, applications or any other documents related to or in any way connected with any disposition of the Collateral, or any portion thereof, permitted under this Agreement or directed by the Required Holders in accordance with the terms hereof; provided, however, that in the event it is unwilling or unable for any reason to execute and deliver such documents, then it promptly shall notify the Holders of such unwillingness or inability and shall request execution and delivery of such documents by the Holders.

13.5. Written Instructions. Any written request or written instructions required or permitted to be given hereunder to the Agent with respect to the Notes or the Security Agreements shall be given exclusively by the Required Holders with respect to such Notes. In the event that the Agent receives written instructions from the Required Holders that the Agent determines, in its sole and absolute discretion, to be ambiguous, inconsistent, in conflict with other instructions previously received or otherwise insufficient to direct the actions of the Agent, then the Agent shall have no obligation whatsoever to take or refrain from taking any action pursuant to such written instructions, but shall instead do the following:

13.5.1. First, seek additional written instructions from the Required Holders reasonably satisfactory to it; or

13.5.2. Second, if the Agent is reasonably dissatisfied with the further instructions or does not receive further instructions pursuant to Section 13.5.1, resign as Agent in accordance with this Agreement.

The Agent shall not be liable to any party hereto (or any Person claiming by, through or under such party) by reason of its actions under this Section 13.5.

13.6. Reliance. In acting with respect to this Agreement, the Notes or the Security Agreements, the Agent shall be entitled to rely conclusively:

13.6.1. on any communication reasonably believed by it to be genuine and to have been made, sent or signed by the Person by whom it purports to have been made, sent or signed;

13.6.2. as to any matters of fact that might reasonably be expected to be within the knowledge of the Holders or the Company, on a certificate signed by or on behalf of any of the Holders or the Company;

13.6.3. on the advice or services of any persons, firms or professionals employed by it pursuant to Section 13.4.2 and rely upon the opinions and statements of any professional advisor so employed; and

13.6.4. on any resolution, statement, certificate, instrument, opinion, report, notice, request, consent, order, bond or other paper or document that it reasonably believes to be genuine and to have been signed or presented by the proper person or, in the case of cables, facsimile transmissions, telecopies and telexes, to have been sent by the proper person.

The Agent shall not be liable to any party hereto for any consequence of any such relying, acting, or refraining to act. Nothing in this Section 13.6 shall impair the right of the Agent in its discretion to take or omit to take any action that the Agent deems proper to take or omit to take if such action or omission is not inconsistent with any notice or direction from the Holders; provided, that the Agent shall not be under any obligation to take any action that is discretionary with the Agent under this Agreement, the Notes or the Security Agreements except as may be specified in a written notice from the Required Holders.

13.7. No Responsibility. The Agent does not assume any responsibility for:

13.7.1. any failure or delay in performance or breach by the Company or its Subsidiaries of any of their respective obligations under this Agreement, the Notes or the Security Agreements;

13.7.2. the truth or accuracy of any representation or warranty or statement given or made in connection with this Agreement or the Security Agreements;

13.7.3. the legality, validity, effectiveness, adequacy or enforceability of this Agreement, the Notes or the Security Agreements; or

13.7.4. the validity, enforceability or sufficiency of any agreement or instrument or any depreciation or diminution in the value of any Collateral or income thereon.

As to any event or occurrence in which neither the Agent nor any Person acting on its behalf is a participant, the Agent shall be conclusively presumed to have no knowledge of such event or occurrence, absent gross negligence or willful misconduct, except to the extent that Agent shall have received a written notice from any of the Holders or the Company with respect thereto.

13.8. Agent Protected. The Agent shall be protected fully in acting or refraining to act upon any certificate, statement, instrument, opinion, report, notice, request, consent, order, bond or paper or document reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties. The Agent may consult with

legal counsel with significant experience in transactions of the type contemplated by this Agreement, and the advice of such counsel, promptly confirmed in writing, shall constitute full and complete protection in respect of any action taken, suffered or omitted by it under this Agreement, the Notes and the Security Agreements in good faith and in accordance with such advice of counsel. The Agent may execute any of its powers hereunder or perform any duties hereunder either directly or through agents, attorneys or custodians, and the Agent shall not be responsible for any misconduct or negligence on the part of, or for the supervision of, any agent, attorney or custodian appointed with due care by it hereunder; provided, however, that as between the other parties hereto and the Agent, all such powers and duties are those of the Agent as provided hereunder.

13.9. Limitation on Liability. The Agent may not be relieved from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct. The Agent shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to this Section 13.

13.10. Liability for Money and Interest. The Agent shall not be liable for any interest or any money received by it except as the Agent may agree in writing. Money held in trust by the Agent need not be segregated from other funds except as required by law.

13.11. Application of Proceeds of Collateral. The receipt of any amounts on behalf of the Holders under the Notes, the Security Agreements or otherwise with respect to the Collateral and the proceeds of any sale, enforcement or other disposition of any of the Collateral or any other distribution in respect of the Collateral shall be applied by the Holders and the Agent first, to the payment of all proper costs incurred by the Agent in the collection thereof (including stamp or other taxes in respect of the transfer or sale of any Collateral and the reasonable compensation, expenses and the disbursements of the Agent and its counselors) and then in with the provisions of the applicable Security Agreement; provided, however, any amounts to be applied in satisfaction of the principal and interest due pursuant to the Notes shall be paid pro rata to the Holders thereof based on the proportion of the aggregate principal amount of such Notes held by each such Holder.

13.12. Resignation Or Removal Of Agent. The Agent may, by written notice to the Holders, at any time resign its agency under this Section 13. The Required Holders may remove the Agent by written notice to the Agent. No such resignation or removal shall become effective, unless and until a successor Agent under this Agreement is appointed and has accepted the appointment, with such successor Agent to be appointed by the Required Holders; provided, however, that if no successor Agent shall have been so appointed and shall have accepted such appointment within thirty (30) days after the retiring Agent's giving notice of resignation or after notice to the retiring Agent of the retiring Agent's removal, as the case may be, then the retiring Agent may apply to any court of competent jurisdiction, at the expense of the Holders, to appoint a successor Agent to act until such time as a successor shall have been appointed by the Holders. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from any further duties and obligations under this Agreement except the duty to execute and deliver any documents necessary to vest or

confirm the vesting of such rights, powers, privileges, and duties in such successor Agent and to deliver possession of any Collateral in the possession of such retiring Agent to such successor Agent. After the retiring Agent's resignation or removal hereunder as Agent, each reference herein to a place for giving of notice or deliveries to the Agent shall be deemed to refer to the principal office of the successor Agent or such other office of the successor Agent as it may specify to each party hereto.

13.13. Indemnification. The Holders severally agree to pay, indemnify and hold the Agent and each director, officer, employee, agent, bailee or other person acting on behalf of the Agent, and each stockholder of any thereof, harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including, without limitation, the reasonable fees and disbursements of counsel and other advisers) or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of its obligations pursuant to this Section 13, including, without limitation, any amendment hereto, or to the Security Agreements or the Notes, or in connection with the transactions contemplated by this Agreement, the Security Agreements and the Notes (including arising from the ordinary negligence of the person seeking indemnification), unless arising from the gross negligence or willful misconduct of the person seeking indemnification.

13.14. Amendments and Waivers. Notwithstanding Section 12.6, any terms of this Section 13 may be amended and the observance of any term hereof may be waived (either generally or in a particular instance and either retroactively or prospectively) only with the written consent of the Agent and the Required Holders; provided, however, no such amendment shall increase the liability of the Company or impose additional obligations on the Company without the written consent of the Company.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the day and year first above written.

"COMPANY"  
Novatel Wireless, Inc.

By: /s/ Peter V. Leparulo  
Peter Leparulo, Chief Executive Officer

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"PURCHASER"

PRINTED NAME OF PURCHASER:	TRANCHE I AMOUNT	SANMINA TRANCHE PERCENTAGE AND AMOUNT	TRANCHE III AMOUNT
BAY INVESTMENTS LIMITED	\$ 400,000	33.33%	\$ 683,333
		\$ 916,667	

By: /s/ H. J. Pudwill

-----  
Name: H.J. Pudwill

Title: Director

Address: Suite 1806, 18/F Central Plaza  
18 Harbour Road  
WanChai,  
Hong Kong

SIGNATURE PAGE TO SECURITIES  
PURCHASE AGREEMENT



"PURCHASER"

PRINTED NAME OF PURCHASER:	TRANCHE I AMOUNT	SANMINA TRANCHE PERCENTAGE AND AMOUNT	TRANCHE III AMOUNT
MUTUAL TRUST MANAGEMENT (BERMUDA) LIMITED AS TRUSTEE OF SOFAER FUNDS/ GLOBAL HEDGE FUND	\$ 400,000	21.82%	\$ 447,272
		\$ 600,000	

By: /s/ M. Sofaer

-----  
Name: Michael Sofaer

Title: Authorised signatory of Sofaer Capital Inc.

Authorised Investment Adviser

Address: Hemisphere House

9 Church Street

P.O. Box HM 951

Hamilton HM DX, Bermuda

SIGNATURE PAGE TO SECURITIES  
PURCHASE AGREEMENT

"PURCHASER"

PRINTED NAME OF PURCHASER:	TRANCHE I AMOUNT	SANMINA TRANCHE PERCENTAGE AND AMOUNT	TRANCHE III AMOUNT
RIT CAPITAL PARTNERS PLC.	-	11.52%	\$ 236,061
		\$ 316,667	

By: /s/ M. Sofaer

-----  
Name: Michael Sofaer

Title: Authorised signatory of Sofaer Capital Inc.

Authorised Investment Adviser

Address: Spencer House

27 St James' Place

London

SW1A 1NR

SIGNATURE PAGE TO SECURITIES  
PURCHASE AGREEMENT

"PURCHASER"

PRINTED NAME OF PURCHASER:	TRANCHE I AMOUNT	SANMINA TRANCHE PERCENTAGE AND AMOUNT	TRANCHE III AMOUNT
SOEN YONG LEE	\$ 100,000	8.33%	\$ 170,833
		\$ 229,167	

By: /s/ Soen Yong Lee

-----

Soen Yong Lee

Address: # 25 - 8, Sangdo 2 -Dong  
Dongjak - Gu  
Seoul ,Korea 156-03

SIGNATURE PAGE TO SECURITIES  
PURCHASE AGREEMENT

"PURCHASER"

PRINTED NAME OF PURCHASER:	TRANCHE I AMOUNT	SANMINA TRANCHE PERCENTAGE AND AMOUNT	TRANCHE III AMOUNT
PAN INVEST & TRADE INC.	\$ 50,000	4.17%	\$ 85,417
		\$ 114,583	

By: /s/Bruno Sidler  
-----

Name: Bruno Sidler

Title: Director

Address: 10th Floor  
8 Queen's Road Central  
Hong Kong

SIGNATURE PAGE TO SECURITIES  
PURCHASE AGREEMENT

"PURCHASER"

PRINTED NAME OF PURCHASER:	TRANCHE I AMOUNT	SANMINA TRANCHE PERCENTAGE AND AMOUNT	TRANCHE III AMOUNT
PETER LEPARULO	\$ 10,000	.83%	\$ 17,083
		\$ 22,917	

By: /s/ Peter V. Leparulo  
-----  
Peter Leparulo

Address: 9360 Towne Centre Drive  
Suite 110  
San Diego, CA 92121

SIGNATURE PAGE TO SECURITIES  
PURCHASE AGREEMENT

"PURCHASER"

PRINTED NAME OF PURCHASER:	TRANCHE I AMOUNT	SANMINA TRANCHE PERCENTAGE AND AMOUNT	TRANCHE III AMOUNT
CORNERSTONE EQUITY INVESTORS, LLC	\$ 200,000	16.67%	\$ 341,667
		\$ 458,333	

By: /s/ Robert H. Getz

-----  
Name: Robert H. Getz

Title: Managing Director

Address: 717 Fifth Avenue  
Suite 1100  
New York, NY 10022

SIGNATURE PAGE TO SECURITIES  
PURCHASE AGREEMENT

"PURCHASER"

PRINTED NAME OF PURCHASER:	TRANCHE I AMOUNT	SANMINA TRANCHE PERCENTAGE AND AMOUNT	TRANCHE III AMOUNT
PS CAPITAL LLC	\$ 40,000	3.33%	\$ 68,333
		\$ 91,667	

By: /s/ Stanley M. Blau  
-----

Name: Stanley M. Blau

Title: Managing Director

Address: 880 Fifth Ave, Suite 19A

New York City

New York 10021

SIGNATURE PAGE TO SECURITIES  
PURCHASE AGREEMENT

THE SECURITIES REPRESENTED BY THIS NOTE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") OR STATE SECURITIES LAWS AND NO TRANSFER OF THESE SECURITIES MAY BE MADE EXCEPT (A) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT AND THE RULES AND REGULATIONS THEREUNDER AND OF ALL APPLICABLE STATE SECURITIES OR "BLUE SKY" LAWS, OR (B) PURSUANT TO AN EXEMPTION THEREFROM UNDER SAID ACT AND ALL APPLICABLE STATE SECURITIES OR "BLUE SKY" LAWS WITH RESPECT TO WHICH THE COMPANY MAY, UPON REQUEST, REQUIRE A SATISFACTORY OPINION OF COUNSEL FOR THE HOLDER THAT SUCH TRANSFER IS EXEMPT FROM THE REQUIREMENTS OF THE ACT.

FORM OF NOVATEL WIRELESS, INC.

SECURED CONVERTIBLE SUBORDINATED NOTE

\$[\_\_\_\_\_]

March 12, 2003  
San Diego, California

FOR VALUE RECEIVED, the undersigned, NOVATEL WIRELESS, INC., a Delaware corporation (the "Company"), hereby promises to pay to [\_\_\_\_\_] ("Holder") at such place as Holder shall hereafter direct by notice in writing to the Company, the principal sum of [\_\_\_\_\_] (\$[\_\_\_\_\_]) or such greater or lesser principal amount as is then currently outstanding, in such coin or currency of the United States of America as at the time shall be legal tender for the payment of public and private debts, plus interest thereon at the rate provided for herein from the date hereof, with principal and interest payable as herein provided. At Holder's request, such payment (if required to be in cash under the terms of this Note) shall be by wire transfer in immediately available funds to an account to be specified by Holder.

1. Loan, Interest Rate; Payment Provisions; Increase to Principal.

1.1 This Note is issued pursuant to the Securities Purchase Agreement, of even date herewith (the "Purchase Agreement"), among the Company, the Holder and the other parties thereto. This Note is one of the Tranche I Notes (as defined in the Purchase Agreement).

1.2 The principal amount of this Note outstanding from time to time shall bear interest from the date hereof through the Maturity Date (as hereinafter defined), at a rate (the "Note Rate") equal to eight percent (8%) per annum.

1.3 Interest on this Note shall be computed on the basis of a 360-day year of twelve 30-day months. Unless previously paid or converted pursuant to the terms of Sections 3.1 or 3.2 herein, all unpaid interest and principal on this Note shall be paid in full on the Maturity Date.



1.4 All payments made by the Company on this Note shall be applied first to the payment of accrued, but unpaid interest on this Note and then to the reduction of the unpaid principal balance of this Note.

1.5 Unless converted pursuant to Section 3.2 herein, if payment of the principal amount of this Note, together with accrued unpaid interest thereon at the Note Rate, is not paid on the Maturity Date or when otherwise due, or if any payment of interest is not paid when due, then interest shall accrue on such unpaid amount at the Note Rate plus four percent (4%) from and after such date of default to the date of the payment in full of such unpaid amount (including from and after the date of the entry of judgment in favor of Holder in an action to collect this Note). Any amount repaid under this Note may not be reborrowed.

1.6 In no event shall Holder be entitled to receive interest at an effective rate in excess of the maximum rate permitted by law.

1.7 In the event the date for the payment of any amount payable under this Note falls due on a Saturday, Sunday or public holiday under the laws of the State of California, the time for payment of such amount shall be extended to the next succeeding business day and interest at the Note Rate shall continue to accrue on any principal amount so effected until the payment thereof on such extended due date.

1.8 Capitalized terms used herein shall, unless otherwise defined herein, have the meanings assigned thereto in the Purchase Agreement. For purposes of this Agreement the following terms shall have the following meanings:

1.8.1 "Maturity Date" means the earliest of (i) March 12, 2005, or (ii) the date on which this Note is otherwise due pursuant to Section 3.1 or 5.

1.8.2 "Note" means this Secured Convertible Subordinated Note.

1.8.3 "Tranche I Holders" means the holders of the Tranche I Notes, including the Holder.

1.9 The Tranche I Holders have the right, at their election, to make payments to Sanmina-SCI Corporation ("Sanmina") in order to continue the Company's ability to defer payments to Sanmina beyond August 1, 2003 (at a rate of \$150,000 per month of extension), as contemplated by the letter agreement between certain investors in the Company and Sanmina of even date herewith (the "Sanmina Extension Payments"), which such Sanmina Extension Payments shall reduce the Company's aggregate obligation to Sanmina under the Settlement Agreement and Mutual Release, dated January 12, 2002, as amended. In the event that Holder makes any Sanmina Extension Payments, the principal balance of this Note shall be increased by the amount of such payments.

2. Replacement of Note. In case this Note is mutilated, destroyed, lost or stolen, the Company shall, at its sole expense, execute and deliver a new Note, in exchange and substitution for this Note. In the case of destruction, loss or theft, Holder shall furnish to the Company indemnity reasonably satisfactory to the Company, and in any such case, and in the case of mutilation, Holder shall also furnish to the Company evidence to its reasonable

satisfaction of the mutilation, destruction, loss or theft of this Note and of the ownership thereof. Any replacement Note so issued shall be in the same outstanding principal amount as this Note and dated the date of this Note.

3. Repayment, Conversion and Security.

3.1 The Agent may, at its option, require repayment of all or any portion of (i) the entire principal amount of, and (ii) all accrued interest on, this Note and all of the other Tranche I Notes, to the extent then outstanding and unpaid at any time following the occurrence of any of the following events:

3.1.1 in the event that prior to the Third Closing Date, the Company receives financing (other than non-convertible debt or as proceeds as a consequence of any exercise of common stock purchase warrants outstanding as of the date hereof) from any third party, with such repayment to occur concurrently with the closing of such financing, and from and to the extent of the proceeds of such financing; provided, however, the Holder, may, at its option, convert all or any portion of the outstanding principal and accrued interest of this Note into any equity securities issued in connection with such financing, on the same terms as the other investors in such financing, instead of requiring repayment of the entire principal amount and all accrued interest on the Note;

3.1.2 in the event that the Purchase Agreement terminates, other than by reason of the Purchasers' material breach, prior to the Third Closing Date, with such repayment to occur within sixty (60) days of such termination date; or

3.1.3 in the event that, for any reason other than the Purchasers' material breach, the Third Closing does not occur on or before the Expiration Date, with such repayment to occur within sixty (60) days of such date.

Such payment shall be made in cash; provided, however, that at Holder's election, a portion of such payment (in an amount to be designated by Holder) shall be effected by the issuance to Holder of that number of shares of the Company's common stock equal to the amount of the accelerated portion of the remaining balance divided by Seventy Cents (\$0.70) (such figure shall be adjusted appropriately to reflect any stock dividends, stock splits, reverse stock splits, combinations, reorganizations or similar transactions affecting the Common Stock); provided, further, that, the total number of shares of Common Stock issuable to the Tranche I Holders in the aggregate pursuant to Section 3.1 of each of the Tranche I Notes, together with the total number of shares issuable upon exercise of the warrants granted to Purchasers on the date of this Note, shall not exceed 1,396,964 shares of Common Stock.

3.2 Notwithstanding anything to the contrary herein, at the Third Closing, the Note, to the extent not repaid pursuant to Section 3.1 above, shall automatically (and without the need for any further action by any party) convert into a number of shares of Series B Preferred Stock equal to (i) the total amount of principal outstanding and accrued, unpaid interest under the Note as of the Third Closing Date divided by (ii) \$1,000.

3.3 This Note shall be secured by a lien on all of the assets and property of the Company (subordinate to the rights of Silicon Valley Bank and Sanmina-SCI Corporation

("Sanmina") as set forth in Section 7 below) pursuant to the terms of a Security Agreement (the "Security Agreement"), dated as the date hereof, between the Company and the Agent (for the benefit of the Tranche I Holders).

3.4 Other than as set forth in Section 3.5, this Note shall not be prepaid.

3.5 Notwithstanding Section 3.4, if the Agent submits a written request to the Company stating that the Holder wishes to make a Sanmina Extension Payment, then within 5 days of receipt of Agent's request, the Company shall pre-pay a portion of the balance of this Note, in cash, in an amount sufficient for the Holder to make such Sanmina Extension Payment.

4. Covenants of the Company. The Company covenants and agrees that, so long as this Note remains outstanding and unpaid, in whole or in part:

4.1 The Company will faithfully and in all material respects perform all of its covenants and agreements under the Security Agreement and the Purchase Agreement and the Company will not make any loan to any person who is or becomes a shareholder of the Company, other than for reasonable advances for expenses in the ordinary course of business.

4.2 The Company will promptly pay and discharge all lawful taxes, assessments and governmental charges or levies imposed upon it or upon its income and profits, or upon any of its property, before the same shall become in default; provided, however, that the Company shall not be required to pay and discharge any such tax, assessment, charge, levy or claim so long as the validity thereof shall be contested in good faith by appropriate proceedings and the Company, shall set aside on its books adequate reserves with respect to any such tax, assessment, charge, levy or claim so contested.

4.3 The Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, rights and franchises and comply with all laws applicable to the Company as its legal counsel may advise.

4.4 The Company will, except for the effects of reasonable wear and tear in the ordinary course of business, at all times maintain, preserve, protect and keep its property used or useful in the conduct of its business in good repair, working order and condition, and from time to time make all needful and proper repairs, renewals, replacements, betterments and improvements thereto.

4.5 The Company will keep adequately insured, by financially sound reputable insurers, all property of a character usually insured by similar entities and carry such other insurance as is usually carried by similar entities.

4.6 The Company will, promptly following its obtaining knowledge of the occurrence of an Event of Default or of any condition or event which, with the giving of notice or the lapse of time or both, would constitute an Event of Default, furnish a statement of the Company's Chief Financial Officer, to Agent setting forth the details of such Event of Default or condition or event and the action which the Company intends to take with respect thereto.

4.7 The Company will at all times maintain books and records in which all of its financial transactions are duly recorded in conformity in all material respects with generally accepted accounting principles.

4.8 The Company will use the proceeds of the Note solely for the working capital purposes of the Company and its Subsidiaries, including the discharge of existing liabilities of the Company and its Subsidiaries.

4.9 The Company shall not make any distributions to any equity holders or affiliates of the Company (other than in connection with arm's-length obligations to equity holders or affiliates who are suppliers or customers). In addition, the Company shall not make contributions to, or payments on behalf of, any Subsidiary, except as permitted pursuant to that certain Loan and Security Agreement, dated as of November 29, 2001, between the Company and Silicon Valley Bank, Commercial Finance Division, as amended, as in effect on the date hereof.

5. Events of Default. If any of the following events (each an "Event of Default") shall occur:

5.1 The Company shall fail to pay on the due date therefor, the principal of, or interest on, or any other amount payable under the Note or any other Tranche I Note and such failure shall continue uncured for a period of five (5) days from such due date, or

5.2 The Company shall default in the due observance or performance of any covenant, condition or agreement on the part of the Company to be observed or performed pursuant to the terms of this Note or any other Tranche I Note (other than the other defaults specified in Section 5) or the Company or any Subsidiary shall default in the due observance or performance of any covenant, condition or agreement on the part of the Company or such Subsidiary to be observed or performed pursuant to the terms of the Security Agreement or the Purchase Agreement and such defaults shall continue uncured for a period of fifteen (15) days after notice thereof shall have been given to the Company by Agent; or

5.3 The dissolution of the Company or any Subsidiary or any vote in favor thereof by the board of directors and shareholders of the Company or such Subsidiary, as the case may be; or

5.4 The Company or any Subsidiary shall resolve (including without limitation by board action) or otherwise establish any definitive intention in writing to file a petition seeking relief under any provision of the Federal Bankruptcy Code or any other federal or state statute now or hereafter in effect affording relief to debtors, or make an assignment for the benefit of creditors, or file with a court of competent jurisdiction an application for appointment of a receiver or similar official with respect to it or any substantial part of its assets, or there shall be filed against the Company or any such Subsidiary any such application or petition, which application or petition is not dismissed or withdrawn within thirty (30) days from the date of filing thereof; or

5.5 Any default or event of default occurs under the obligations to Silicon Valley Bank or Sanmina (or any lender which refinances such obligations) under the respective agreements listed on Schedule I, any of the Sanmina Notes, if and when issued, or under any

other obligation of the Company or any Subsidiary for borrowed money, which default is not cured during the applicable cure period or waived in writing by the lender or obligee; or

5.6 The Company or any Subsidiary shall sell all or substantially all of its assets or merge or be consolidated with or into another entity other than, in the case of any such Subsidiary, the Company or another Subsidiary of the Company; or

5.7 The commencement of a proceeding to foreclose a security interest or lien in any property or assets of the Company or any Subsidiary upon default in the payment or performance of any debt of the Company or any such Subsidiary in excess of \$25,000 which is secured thereby; or

5.8 Other than in connection with matters set forth on Schedule 3.10 to the Purchase Agreement, the entry against the Company or any Subsidiary of a final judgment for the payment of money in excess of \$100,000 by a court of competent jurisdiction, which judgment shall not be discharged (or the discharge thereof not duly provided for) in accordance with its terms within thirty (30) days of the date of entry thereof, or a stay of execution thereof procured within thirty (30) days from the date of entry thereof and, within such period (or such longer period during which execution of such judgment shall have been effectively stayed) an appeal therefrom shall not have been prosecuted and the execution thereof caused to be stayed during such appeal; or

5.9 An attachment or garnishment shall have been levied against the assets of the Company or any Subsidiary involving an amount in excess of \$100,000 and such levy is not vacated, bonded or otherwise terminated within thirty (30) days after the date of the effectiveness of the levy;

then, upon the occurrence of any such Event of Default and at any time thereafter, the Agent shall have the right to declare the principal of, accrued unpaid interest on, and all other amounts payable under all of the Tranche I Notes (including this Note) to be forthwith due and payable, whereupon all such amounts shall be immediately due and payable to Holder, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived; provided, however, in case of the occurrence of an Event of Default under Section 5.3 or 5.4, such amounts shall become immediately due and payable without any such declaration by the Agent.

6. Suits for Enforcement and Remedies. If any one or more Events of Default shall occur and be continuing, the Agent may proceed to (i) protect and enforce Holder's rights either by suit in equity or by action at law, or both, whether for the specific performance of any covenant, condition or agreement contained in this Note or in any agreement or document referred to herein or in aid of the exercise of any power granted in this Note or in any agreement or document referred to herein, (ii) enforce the payment of this Note, or (iii) enforce any other legal or equitable right of the holder of this Note. No right or remedy herein or in any other agreement or instrument conferred upon the holder of this Note is intended to be exclusive of any other right or remedy, and each and every such right or remedy shall be cumulative and shall be in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise.

7. Seniority. This Note shall be senior in priority to the payment of all other debts of the Company, whether now existing or hereinafter incurred, other than the obligations of the Company to Silicon Valley Bank and Sanmina now existing as shown on the attached Schedule I hereto and trade payables and, if and when issued, the Sanmina Notes described in the Purchase Agreement (each of which may be pari passu with the repayment of this Note).

8. Unconditional Obligation; Fees, Waivers, etc.

8.1 The obligations to make the payments provided for in this Note are absolute and unconditional and not subject to any defense, set-off, counterclaim, rescission, recoupment or adjustment whatsoever.

8.2 If Agent shall seek to enforce the collection of any amount of principal of and/or interest on this Note, there shall be immediately due and payable from the Company, in addition to the then unpaid principal of, and accrued unpaid interest on, this Note, all reasonable costs and expenses incurred by Agent or the Holder in connection therewith, including, without limitation, attorneys' fees and disbursements.

8.3 No forbearance, indulgence, delay or failure to exercise any right or remedy with respect to this Note shall operate as a waiver, nor as an acquiescence in any default, nor shall any single or partial exercise of any right or remedy preclude any other or further exercise thereof or the exercise of any other right or remedy.

8.4 Any term, covenant, agreement or condition of this Note may be amended or compliance therewith may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the signed written consent of the Agent and the Company.

8.5 The Company hereby expressly waives demand and presentment for payment, notice of nonpayment, notice of dishonor, protest, notice of protest, bringing of suit, and diligence in taking any action to collect amounts called for hereunder, and shall be directly and primarily liable for the payment of all sums owing and to be owing hereon, regardless of and without any notice, diligence, act or omission with respect to the collection of any amount called for hereunder or in connection with any right, lien, interest or property at any and all times which Agent had or is existing as security for any amount called for hereunder, except as specifically provided herein.

9. Restriction on Transfer. This Note has not been registered under the securities laws of the United States of America or any state thereof. This Note has been acquired for investment, accordingly, no interest in this Note may be offered for sale, sold or transferred in the absence of registration and qualification of this Note under applicable federal and state securities laws or an opinion of counsel of Holder reasonably satisfactory to the Company that such registration and qualification are not required.

10. Miscellaneous.

10.1 The headings of the various paragraphs of this Note are for convenience of reference only and shall in no way modify any of the terms or provisions of this Note.

10.2 The provisions of this Note are severable and, if any one provision hereof shall be held invalid or unenforceable in whole or in part in any jurisdiction, such invalidity or unenforceability shall affect only such provision in such jurisdiction.

10.3 Notices, demands or other communications given or made in connection with this Note shall be in writing and delivered in accordance with the provisions of the Purchase Agreement.

10.4 This Note and the obligations of the Company and the rights of Holder shall be governed by and construed in accordance with the internal substantive laws of the State of California without giving effect to the choice of laws rules thereof.

10.5 The Company and the Holder (a) agree that any legal suit, action or proceeding arising out of or relating to this Note will be instituted exclusively in the courts of the State of California sitting in the County of Los Angeles, or any Federal court in such State, (b) waive any objection which such party may have now or hereafter based upon forum non conveniens or to the venue of any such suit, action or proceeding, and (c) irrevocably consent to the jurisdiction of the State Courts located in said State in any such suit, action or proceeding. Each such party further agrees to accept and acknowledge service of any and all process which may be served in any such suit, action or proceeding in said courts in said State, and agrees that service of process upon such party, mailed by certified mail to such party's address, will be deemed in every respect effective service of process upon such party, in any suit, action or proceeding. FURTHER, BOTH THE COMPANY AND HOLDER HEREBY WAIVE TRIAL BY JURY IN ANY ACTION TO ENFORCE THIS NOTE.

10.6 This Note shall bind the Company and its successors and assigns.

10.7 Neither the Agent, the Holder nor the Company shall have any liability under or in connection with this Note or the Security Agreement for special, exemplary, punitive, incidental, indirect or consequential damages of any sort in any action of any type or nature whatsoever in connection with this Note or the Security Agreement and the parties waive any right that they have to claim or recover in any such action any special, exemplary, punitive, incidental, indirect or consequential damages or any sort other than actual damages.

NOVATEL WIRELESS, INC.,  
a Delaware corporation

By /s/ Peter V. Leparulo  
-----  
Name: Peter Leparulo  
Title: Chief Executive Officer

SCHEDULE I

PRIOR LIENS

1. Lien in favor of Silicon Valley Bank pursuant to Loan and Security Agreement dated November 29, 2001.
2. Lien in favor of Sanmina-SCI Corporation pursuant to Security Agreement dated January 12, 2002.



THE SECURITIES REPRESENTED BY THIS NOTE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") OR STATE SECURITIES LAWS AND NO TRANSFER OF THESE SECURITIES MAY BE MADE EXCEPT (A) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT AND THE RULES AND REGULATIONS THEREUNDER AND OF ALL APPLICABLE STATE SECURITIES OR "BLUE SKY" LAWS, OR (B) PURSUANT TO AN EXEMPTION THEREFROM UNDER SAID ACT AND ALL APPLICABLE STATE SECURITIES OR "BLUE SKY" LAWS WITH RESPECT TO WHICH THE COMPANY MAY, UPON REQUEST, REQUIRE A SATISFACTORY OPINION OF COUNSEL FOR THE HOLDER THAT SUCH TRANSFER IS EXEMPT FROM THE REQUIREMENTS OF THE ACT.

FORM OF NOVATEL WIRELESS, INC.

SECURED CONVERTIBLE SUBORDINATED NOTE

\$\_[\_\_\_\_\_]

\_\_\_\_\_, 2003  
San Diego, California

FOR VALUE RECEIVED, the undersigned, NOVATEL WIRELESS, INC., a Delaware corporation (the "Company"), hereby promises to pay to [\_] ("Holder") at such place as Holder shall hereafter direct by notice in writing to the Company, the principal sum of [\_] (\$[\_]) or such lesser principal amount as is then currently outstanding, in such coin or currency of the United States of America as at the time shall be legal tender for the payment of public and private debts, plus interest thereon at the rate provided for herein from the date hereof, with principal and interest payable as herein provided. At Holder's request, such payment (if required to be in cash under the terms of this Note) shall be by wire transfer in immediately available funds to an account to be specified by Holder.

1. Loan, Interest Rate and Payment Provisions.

1.1 This Note is issued pursuant to the Securities Purchase Agreement, dated as of March 12, 2003 (the "Purchase Agreement"), among the Company, the Holder and the other parties thereto. This Note is one of the Sanmina Notes (as defined in the Purchase Agreement).

1.2 Except as expressly provided below, this Note shall not bear interest.

1.3 If payment of any portion of the principal amount of this Note is not paid on the Maturity Date thereof, then interest shall accrue on such unpaid amount at the rate of twelve percent (12%) per annum from and after such date of default to the date of the payment in full of such unpaid amount (including from and after the date of the entry of judgment in favor of Holder in an action to collect this Note). Any amount repaid under this Note may not be reborrowed.

1.4 Interest on this Note shall be computed on the basis of a 360-day year of twelve 30-day months.

1.5 All payments made by the Company on this Note shall be applied first to the payment of accrued but unpaid interest (if any) on this Note and then to the reduction of the unpaid principal balance of this Note.

1.6 In no event shall Holder be entitled to receive interest at an effective rate in excess of the maximum rate permitted by law.

1.7 In the event the date for the payment of any amount payable under this Note falls due on a Saturday, Sunday or public holiday under the laws of the State of California, the time for payment of such amount shall be extended to the next succeeding business day and interest (if applicable) shall continue to accrue on any principal amount so effected until the payment thereof on such extended due date.

1.8 Capitalized terms used herein shall, unless otherwise defined herein, have the meanings assigned thereto in the Purchase Agreement. For purposes of this Note the following terms shall have the following meanings:

1.8.1 "Maturity Date" means the date any payment is due under the terms of this Note.

1.8.2 "Note" means this Secured Convertible Subordinated Note.

1.8.3 "Sanmina Holders" means the holders of the Sanmina Notes, including the Holder.

2. Replacement of Note. In case this Note is mutilated, destroyed, lost or stolen, the Company shall, at its sole expense, execute and deliver a new Note, in exchange and substitution for this Note. In the case of destruction, loss or theft, Holder shall furnish to the Company indemnity reasonably satisfactory to the Company, and in any such case, and in the case of mutilation, Holder shall also furnish to the Company evidence to its reasonable satisfaction of the mutilation, destruction, loss or theft of this Note and of the ownership thereof. Any replacement Note so issued shall be in the same outstanding principal amount as this Note and dated the date of this Note.

3. Repayment, Conversion and Security.

3.1 The Agent may, at its option, require repayment of the entire principal amount of this Note and all of the other Sanmina Notes, to the extent then outstanding and unpaid upon the occurrence of any of the following events:

3.1.1 in the event that the Purchase Agreement terminates, other than by reason of the Purchasers' material breach, prior to the Third Closing Date; or

3.1.2 in the event that, for any reason other than the Purchasers' material breach, the Third Closing Date does not occur on or before the Expiration Date;

in which case the Note shall be repaid, in cash, as follows:

- (a) On or before the Catch Up Date (as defined below), the Company shall make all payments shown on the attached Schedule I with scheduled payment dates on or prior to the Catch Up Date; and
- (b) thereafter, the Company shall pay the remaining balance under this Note (if any) in accordance with the remainder of Schedule I.

"Catch Up Date" shall mean the 60th day after deliver of the notice of the Agent's election to require payment under Section 3.1.2 or 3.1.3 above.

3.2 The Agent may, at its option, require repayment of the entire principal amount of this Note and all of the other Sanmina Notes, to the extent then outstanding and unpaid upon any breach by the Company of Section 3 of the Purchase Agreement that results in, or could reasonably be expected to result in, a liability of the Company in excess of One Million Dollars (\$1,000,000), whether such breach is discovered before or after the Third Closing Date, with such repayment to occur in cash within sixty (60) days of the date discovered by the Company, Agent or Holder; provided, however, that this Section 3.2 shall not apply with respect to any liability the existence or potential of which has been disclosed to Holder or Agent in writing with in either the Schedules to the Purchase Agreement or in the due diligence report delivered to the Purchasers by FTI Consulting, so long as the nature and amount of such liability is reasonably apparent from the disclosure.

3.3 Subject to Sections 5 below, following the Third Closing, the Note, to the extent not repaid (or required to be repaid) pursuant to Section 3.2 above, shall be repaid as follows:

3.3.1 An amount equal to (i) the note percentage with respect to the Holder set forth on Schedule II hereto ("Note Percentage") times (ii) Four Hundred Thousand Dollars (\$400,000) on the date three months following the Third Closing Date;

3.3.2 An amount equal to (i) the Note Percentage times (ii) Four Hundred Thousand Dollars (\$400,000) on the date six months following the Third Closing Date;

3.3.3 An amount equal to (i) the Note Percentage times (ii) Four Hundred Thousand Dollars (\$400,000) on the date nine months following the Third Closing Date; and

3.3.4 All remaining principal and interest (if any) on the date twelve months following the Third Closing Date;

provided, however, that the Holder may, at any time at its option by notice to the Company on or following the Third Closing Date, convert the entire balance (including all principal and accrued but unpaid interest) of this Note into Series B Preferred Stock, with such balance to be converted at the rate of \$1,000 per share.

Payments under this Section 3.3 shall be effected by delivery of Series B Preferred Stock of the Company, issued in the name of Holder or its designees, with principal balance

hereunder being repaid at a rate of \$1,000 per share (subject to adjustment for stock splits and similar events). By way of example, the payment under Section 3.3.1 above shall be effected by delivery of a number of shares of Series B Preferred Stock equal to (i) the Note Percentage, times (ii) Four Hundred (400). For purposes of clarity, any payment under Section 3.1 or 3.2 above shall be made solely in cash (whether before or after the Third Closing Date).

3.4 This Note shall be secured by a lien on all of the assets and property of the Company (subordinate to the rights of Silicon Valley Bank as set forth in Section 7 below) pursuant to the terms of a Security Agreement (the "Security Agreement"), dated as the date hereof, between the Company and Agent (for the benefit of the Sanmina Holders).

4. Covenants of the Company. The Company covenants and agrees that, so long as this Note remains outstanding and unpaid, in whole or in part:

4.1 The Company will faithfully and in all material respects perform all of its covenants and agreements under the Security Agreement and the Purchase Agreement and the Company will not make any loan to any person who is or becomes a shareholder of the Company, other than for reasonable advances for expenses in the ordinary course of business.

4.2 The Company will promptly pay and discharge all lawful taxes, assessments and governmental charges or levies imposed upon it or upon its income and profits, or upon any of its property, before the same shall become in default; provided, however, that the Company shall not be required to pay and discharge any such tax, assessment, charge, levy or claim so long as the validity thereof shall be contested in good faith by appropriate proceedings and the Company, shall set aside on its books adequate reserves with respect to any such tax, assessment, charge, levy or claim so contested.

4.3 The Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, rights and franchises and comply with all laws applicable to the Company as its legal counsel may advise.

4.4 The Company will, except for the effects of reasonable wear and tear in the ordinary course of business, at all times maintain, preserve, protect and keep its property used or useful in the conduct of its business in good repair, working order and condition, and from time to time make all needful and proper repairs, renewals, replacements, betterments and improvements thereto.

4.5 The Company will keep adequately insured, by financially sound reputable insurers, all property of a character usually insured by similar entities and carry such other insurance as is usually carried by similar entities.

4.6 The Company will, promptly following its obtaining knowledge of the occurrence of an Event of Default or of any condition or event which, with the giving of notice or the lapse of time or both, would constitute an Event of Default, furnish a statement of the Company's Chief Financial Officer, to Agent setting forth the details of such Event of Default or condition or event and the action which the Company intends to take with respect thereto.

4.7 The Company will at all times maintain books and records in which all of its financial transactions are duly recorded in conformity in all material respects with generally accepted accounting principles.

4.8 The Company shall not make any distributions to any equity holders or affiliates of the Company (other than in connection with arm's-length obligations to equity holders or affiliates who are suppliers or customers). In addition, the Company shall not make contributions to, or payments on behalf of, any Subsidiary, except as permitted pursuant to that certain Loan and Security Agreement, dated as of November 29, 2001, between the Company and Silicon Valley Bank, Commercial Finance Division, as amended, as in effect on the date hereof.

5. Events of Default. If any of the following events (each an "Event of Default") shall occur:

5.1 The Company shall fail to pay on the due date therefor, the principal of, or interest on, or any other amount payable under the Note or any other Sanmina Note and such failure shall continue uncured for a period of five (5) days from such due date, or

5.2 The Company shall default in the due observance or performance of any covenant, condition or agreement on the part of the Company to be observed or performed pursuant to the terms of this Note or any other Sanmina Note (other than the other defaults specified in Section 5) or the Company or any Subsidiary shall default in the due observance or performance of any covenant, condition or agreement on the part of the Company or such Subsidiary to be observed or performed pursuant to the terms of the Security Agreement or the Purchase Agreement and such defaults shall continue uncured for a period of fifteen (15) days after notice thereof shall have been given to the Company by Agent; or

5.3 The dissolution of the Company or any Subsidiary or any vote in favor thereof by the board of directors and shareholders of the Company or such Subsidiary, as the case may be; or

5.4 The Company or any Subsidiary shall resolve (including without limitation by board action) or otherwise establish any intention in writing to file a petition seeking relief under any provision of the Federal Bankruptcy Code or any other federal or state statute now or hereafter in effect affording relief to debtors, or make an assignment for the benefit of creditors, or file with a court of competent jurisdiction an application for appointment of a receiver or similar official with respect to it or any substantial part of its assets, or there shall be filed against the Company or any such Subsidiary any such application or petition, which application or petition is not dismissed or withdrawn within thirty (30) days from the date of filing thereof; or

5.5 Any default or event of default occurs under the obligations to Silicon Valley Bank (or any lender which refinances such obligations) under the agreement described on Schedule II, any of the Tranche I Notes or under any other obligation of the Company or any Subsidiary for borrowed money, which default is not cured during the applicable cure period or waived in writing by the lender or obligee; or

5.6 The Company or any Subsidiary shall sell all or substantially all of its assets or merge or be consolidated with or into another entity other than, in the case of any such Subsidiary, the Company or another Subsidiary of the Company; or

5.7 The commencement of a proceeding to foreclose a security interest or lien in any property or assets of the Company or any Subsidiary upon default in the payment or performance of any debt of the Company or any such Subsidiary in excess of \$25,000 which is secured thereby; or

5.8 Other than in connection with matters set forth on Schedule 3.10 to the Purchase Agreement, the entry against the Company or any Subsidiary of a final judgment for the payment of money in excess of \$100,000 by a court of competent jurisdiction, which judgment shall not be discharged (or the discharge thereof not duly provided for) in accordance with its terms within thirty (30) days of the date of entry thereof, or a stay of execution thereof procured within thirty (30) days from the date of entry thereof and, within such period (or such longer period during which execution of such judgment shall have been effectively stayed) an appeal therefrom shall not have been prosecuted and the execution thereof caused to be stayed during such appeal; or

5.9 An attachment or garnishment shall have been levied against the assets of the Company or any Subsidiary involving an amount in excess of \$100,000 and such levy is not vacated, bonded or otherwise terminated within thirty (30) days after the date of the effectiveness of the levy;

then, upon the occurrence of any such Event of Default and at any time thereafter, the Agent shall have the right to declare the principal of, accrued unpaid interest on, and all other amounts payable under all of the Sanmina Notes (including this Note) to be forthwith due and payable, in cash, whereupon all such amounts shall be immediately due and payable to Holder, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived; provided, however, in case of the occurrence of an Event of Default under Section 5.3 or 5.4, such amounts shall become immediately due and payable without any such declaration by the Agent.

6. Suits for Enforcement and Remedies. If any one or more Events of Default shall occur and be continuing, the Agent may proceed to (i) protect and enforce Holder's rights either by suit in equity or by action at law, or both, whether for the specific performance of any covenant, condition or agreement contained in this Note or in any agreement or document referred to herein or in aid of the exercise of any power granted in this Note or in any agreement or document referred to herein, (ii) enforce the payment of this Note, or (iii) enforce any other legal or equitable right of the holder of this Note. No right or remedy herein or in any other agreement or instrument conferred upon the holder of this Note is intended to be exclusive of any other right or remedy, and each and every such right or remedy shall be cumulative and shall be in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise.

7. Seniority. This Note shall be senior in priority to the payment of all other debts of the Company, whether now existing or hereinafter incurred, other than the obligations of the Company to Silicon Valley Bank now existing as shown on the attached Schedule II hereto

and trade payables and the obligations under the Tranche I Notes (each of which may be pari passu with the repayment of this Note).

8. Unconditional Obligation; Fees, Waivers, etc.

8.1 The obligations to make the payments provided for in this Note are absolute and unconditional and not subject to any defense, set-off, counterclaim, rescission, recoupment or adjustment whatsoever.

8.2 If Holder or the Agent shall seek to enforce the collection of any amount of principal of and/or interest on this Note, there shall be immediately due and payable from the Company, in addition to the then unpaid principal of, and accrued unpaid interest on, this Note, all reasonable costs and expenses incurred by Holder or the Agent in connection therewith, including, without limitation, attorneys' fees and disbursements.

8.3 No forbearance, indulgence, delay or failure to exercise any right or remedy with respect to this Note shall operate as a waiver, nor as an acquiescence in any default, nor shall any single or partial exercise of any right or remedy preclude any other or further exercise thereof or the exercise of any other right or remedy.

8.4 Any term, covenant, agreement or condition of this Note may be amended or compliance therewith may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the signed written consent of the Agent and the Company.

8.5 The Company hereby expressly waives demand and presentment for payment, notice of nonpayment, notice of dishonor, protest, notice of protest, bringing of suit, and diligence in taking any action to collect amounts called for hereunder, and shall be directly and primarily liable for the payment of all sums owing and to be owing hereon, regardless of and without any notice, diligence, act or omission with respect to the collection of any amount called for hereunder or in connection with any right, lien, interest or property at any and all times which Agent or Holder had or is existing as security for any amount called for hereunder, except as specifically provided herein.

9. Restriction on Transfer. This Note has not been registered under the securities laws of the United States of America or any state thereof. This Note has been acquired for investment, accordingly, no interest in this Note may be offered for sale, sold or transferred in the absence of registration and qualification of this Note under applicable federal and state securities laws or an opinion of counsel of Holder reasonably satisfactory to the Company that such registration and qualification are not required.

10. Miscellaneous.

10.1 The headings of the various paragraphs of this Note are for convenience of reference only and shall in no way modify any of the terms or provisions of this Note.

10.2 The provisions of this Note are severable and, if any one provision hereof shall be held invalid or unenforceable in whole or in part in any jurisdiction, such invalidity or unenforceability shall affect only such provision in such jurisdiction.

10.3 Notices, demands or other communications given or made in connection with this Note shall be in writing and delivered in accordance with the provisions of the Purchase Agreement.

10.4 This Note and the obligations of the Company and the rights of Holder shall be governed by and construed in accordance with the internal substantive laws of the State of California without giving effect to the choice of laws rules thereof.

10.5 The Company and the Holder (a) agree that any legal suit, action or proceeding arising out of or relating to this Note will be instituted exclusively in the courts of the State of California sitting in the County of Los Angeles, or any Federal court in such State, (b) waive any objection which such party may have now or hereafter based upon forum non conveniens or to the venue of any such suit, action or proceeding, and (c) irrevocably consent to the jurisdiction of the State Courts located in said State in any such suit, action or proceeding. Each such party further agrees to accept and acknowledge service of any and all process which may be served in any such suit, action or proceeding in said courts in said State, and agrees that service of process upon such party, mailed by certified mail to such party's address, will be deemed in every respect effective service of process upon such party, in any suit, action or proceeding. FURTHER, BOTH THE COMPANY AND HOLDER HEREBY WAIVE TRIAL BY JURY IN ANY ACTION TO ENFORCE THIS NOTE.

10.6 This Note shall bind the Company and its successors and assigns.

10.7 Neither the Holder nor the Company shall have any liability under or in connection with this Note or the Security Agreement for special, exemplary, punitive, incidental, indirect or consequential damages of any sort in any action of any type or nature whatsoever in connection with this Note or the Security Agreement and the parties waive any right that they have to claim or recover in any such action any special, exemplary, punitive, incidental, indirect or consequential damages or any sort other than actual damages.

NOVATEL WIRELESS, INC.,  
a Delaware corporation

By

-----  
Name: Peter Leparulo  
Title: Chief Executive Officer



SCHEDULE I  
PAYMENT SCHEDULE

SCHEDULE II

SCHEDULE OF NOTE PERCENTAGES FOR HOLDERS

INVESTOR -----	NOTE PERCENTAGE -----
Bay Investments Limited	33.33%
Mutual Trust Management (Bermuda) Limited as trustee of Sofaer Funds/Global Hedge Fund	21.82%
RIT Capital Partners plc	11.52%
Soen Yong Lee	8.33%
Pan Invest & Trade Inc.	4.17%
Peter Leparulo	0.83%
Cornerstone Equity Investors, LLC	16.67%
PS Capital LLC	3.33%

SCHEDULE III

PRIOR LIENS

1. Lien in favor of Silicon Valley Bank pursuant to Loan and Security Agreement dated November 29, 2001.

SCHEDULE I TO SANMINA NOTE

This Schedule I sets forth the due dates of payments for purposes of Section 3.1.3 of the Note.

Column A set forth below will only apply if the Company raises at least \$3.8 million in additional cash equity financing between February 26, 2003 and July 31, 2003. The purchase of the Sanmina obligations by the investors will not be counted as additional cash equity financing for these purposes.

In addition, in the event that Column A applies, the Company will be required to pay to the Note holder a prepayment equal to 20% of the amount of additional cash equity financing raised by the Company between February 26, 2003 and July 31, 2003. This prepayment will be due on the date that that equity financing closes. The prepayment will reduce the last payments otherwise required by Column A. Column B provides an example of the application of these principles, assuming a hypothetical cash equity raise by the Company of \$4 million on July 31, 2003.

If the Company fails to raise at least \$3.8 million in additional cash equity financing between February 26, 2003 and July 31, 2003, then the payment due date schedule in Column C will apply. The purchase of the Sanmina obligations by the investors will not be counted as additional cash equity financing for these purposes.

	COLUMN A	COLUMN B	COLUMN C
DATE	PAYMENT AMOUNT	PAYMENT AMOUNT	PAYMENT AMOUNT
24-Feb-03	\$ 165,000	\$ 165,000	\$ 165,000
25-Feb-03	80,000	80,000	80,000
10-Mar-03	165,000	165,000	165,000
24-Mar-03	165,000	165,000	165,000
07-Apr-03	165,000	165,000	165,000
21-Apr-03	165,000	165,000	165,000
05-May-03	165,000	165,000	165,000
19-May-03	165,000	165,000	165,000
02-Jun-03	165,000	165,000	165,000
16-Jun-03	165,000	165,000	165,000
30-Jun-03	165,000	165,000	165,000
14-Jul-03	165,000	165,000	165,000
28-Jul-03	165,000	165,000	165,000
31-Jul-03		800,000	1,445,000
11-Aug-03	165,000	165,000	
25-Aug-03	165,000	165,000	
08-Sep-03	165,000	165,000	
22-Sep-03	165,000	150,000	
06-Oct-03	165,000		
20-Oct-03	165,000		
03-Nov-03	165,000		
17-Nov-03	165,000		
01-Dec-03	125,000		
TOTAL	\$3,505,000	\$3,505,000	\$3,505,000

THIS WARRANT AND THE SHARES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") OR STATE SECURITIES LAWS AND NO TRANSFER OF SUCH SECURITIES MAY BE MADE EXCEPT (A) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT AND THE RULES AND REGULATIONS THEREUNDER AND OF ALL APPLICABLE STATE SECURITIES OR "BLUE SKY" LAWS, OR (B) PURSUANT TO AN EXEMPTION THEREFROM UNDER SAID ACT AND ALL APPLICABLE STATE SECURITIES OR "BLUE SKY" LAWS WITH RESPECT TO WHICH THE COMPANY MAY, UPON REQUEST, REQUIRE A SATISFACTORY OPINION OF COUNSEL FOR THE HOLDER THAT SUCH TRANSFER IS EXEMPT FROM THE REQUIREMENTS OF THE ACT.

## FORM OF WARRANT TO PURCHASE STOCK

Corporation: Novatel Wireless, Inc.

Number of Shares: [\_\_\_\_\_] (subject to increase as provided below)

Class of Stock: Common Stock, par value \$0.001 per share

Initial Exercise Price: \$0.70 (subject to adjustment as provided below)

Issue Date: [March 12, 2003][or][INSERT ISSUE DATE FOR WARRANTS ISSUED AFTER FIRST CLOSING]

Expiration Date: [September 12, 2008][or][INSERT ISSUE DATE PLUS 5.5 YEARS FOR WARRANTS ISSUED AFTER FIRST CLOSING]

THIS WARRANT CERTIFIES THAT, for the agreed upon value of \$1.00 and for other good and valuable consideration, [\_\_\_\_\_] ("Holder"), is entitled to purchase the number of fully paid and nonassessable shares of Common Stock (the "Shares") of the corporation (the "Company") at the initial exercise price per Share (the "Warrant Price") all as set forth above and as adjusted pursuant to ARTICLE 2 of this Warrant, subject to the provisions and upon the terms and conditions set forth in this Warrant.

## ARTICLE 1. EXERCISE.

- 1.1 Method of Exercise. Commencing [SEPTEMBER 12, 2003][OR][INSERT ISSUE DATE PLUS 6 MONTHS FOR WARRANTS ISSUED AFTER FIRST CLOSING], Holder may exercise this Warrant in whole or in part from time to time by delivering a duly executed Notice of Exercise in substantially the form attached as Appendix 1 to the principal office of the Company. Unless Holder is exercising the conversion right set forth in

Section 1.2, Holder shall also deliver to the Company a check for the aggregate Warrant Price for the Shares being purchased.

1.2 Conversion Right. In lieu of exercising this Warrant as specified in Section 1.1, Holder may from time to time convert this Warrant, in whole or in part, into a number of Shares determined by dividing (a) the aggregate fair market value of the Shares or other securities otherwise issuable upon exercise of this Warrant or portion thereof minus the aggregate Warrant Price of such Shares by (b) the fair market value of one Share; provided, however, the Holder shall not be entitled to exercise this Warrant pursuant to this Section 1.2 prior to the first anniversary of the Issue Date of this Warrant. The fair market value of the Shares shall be determined pursuant to Section 1.2.1.

1.2.1 Fair Market Value. If the Shares are traded in a public market, the fair market value of the Shares shall be the closing price of the Shares (or the closing price of the Company's stock into which the Shares are convertible) reported for the business day immediately before Holder delivers its Notice of Exercise to the Company. If the Shares are not traded in a public market, the Board of Directors of the Company shall initially determine fair market value in its reasonable good faith judgment. The Company shall provide the Holder with written notice (within 10 days after delivery of the Notice of Exercise) of its fair market value determination. If the Holder objects to the determination within 10 days after delivery by the Company of its fair market value determination, the Holder may either (i) rescind its Notice of Exercise in which case no exercise shall be deemed to have occurred, or (ii) request that the fair market value be determined pursuant to the Appraisal Procedure (as defined below), which determination shall be binding on the Holder and the Company.

1.3 Delivery of Certificate and New Warrant. Promptly after Holder exercises or converts this Warrant, the Company shall deliver to Holder certificates for the Shares acquired and, if this Warrant has not been fully exercised or converted and has not expired, a new Warrant representing the Shares not so acquired.

1.4 Replacement of Warrants. On receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of loss, theft or destruction, on delivery of an indemnity agreement reasonably satisfactory in form and amount to the Company or, in the case of mutilation, or surrender and cancellation of this Warrant, the Company shall execute and deliver, in lieu of this Warrant, a new warrant of like tenor.

1.5 Assumption on Sale, Merger, or Consolidation of the Company.

1.5.1 "Acquisition". For the purpose of this Warrant, "Acquisition" means any sale, license, or other disposition of all or substantially all of the

assets of the Company, or any reorganization, consolidation, or merger of the Company in which the Company shall not be the continuing or surviving entity of such consolidation or merger.

- 1.5.2 Assumption of Warrant. Upon the closing of any Acquisition, the successor entity shall assume the obligations of this Warrant, and this Warrant shall be exercisable for the same securities, cash, and property as would be payable for the Shares issuable upon exercise of the unexercised portion of this Warrant as if such Shares were outstanding on the record date for the Acquisition and subsequent closing.

ARTICLE 2. ADJUSTMENTS TO THE WARRANT PRICE AND NUMBER OF SHARES.

- 2.1 Definitions. As used in this ARTICLE 2, the following terms have the following respective meanings:

- 2.1.1 "Additional Shares of Common Stock" shall mean all shares of Common Stock issued by the Company (including those deemed issued pursuant to Section 2.3) after March 12, 2003 for any reason, including without limitation as a result of sales of Common Stock or Options, the issuance of Options, stock dividends, distributions payable in common stock, stock splits, reverse stock splits, recapitalizations, reclassifications, combinations or exchanges of shares, separations, reorganizations, liquidations or other similar event, other than:
- (i) securities issued or issuable as a dividend or distribution on the Series B Preferred Stock;
  - (ii) not more than ten (10) shares of capital stock of the Company on an "as converted to common stock" basis, the issuance of which resulted from mathematical or other error or inadvertence, provided that the transaction in which such shares were issued was approved at the time by vote of a majority of the Board of Directors of the Company;
  - (iii) the first 500,000 shares of Common Stock issued or issuable pursuant to Employee Equity Issuances after March 12, 2003 (it being understood that the first such 500,000 shares shall not be subject to Section 2.2.2, and any subsequent Employee Equity Issuances shall be subject to Section 2.2.2; provided, further, such 500,000 share figure shall be appropriately adjusted to reflect transactions described in Sections 2.4 and 2.5);

- (iv) securities issued or issuable as a dividend or distribution on the Series A Preferred Stock upon the conversion of the Series A Preferred Stock to Common Stock; and
- (v) any securities issued or issuable as a result of an adjustment of the Warrant Price made pursuant to Section 2.2.

2.1.2 "Convertible Securities" means any evidences of indebtedness, shares of stock, or other securities directly or indirectly convertible into or exchangeable for common stock or the value of which is otherwise derived from or based upon the value of the Common Stock.

2.1.3 "Employee Equity Issuances" means the issuance of shares of Common Stock or Options to officers, directors or employees of, or consultants to, the Company pursuant to stock option or stock purchase plans or agreements on terms approved by the Board of Directors.

2.1.4 "Option" means any right, option, or warrant to subscribe for, purchase, or otherwise acquire common stock or Convertible Securities.

## 2.2 Adjustments for Dilutive Issuances.

2.2.1 Issuances Other than Employee Equity Issuances. If the Company shall issue, after March 12, 2003, any Additional Shares of Common Stock (other than issuances pursuant to transactions described in Section 2.4 and Section 2.5 but expressly excluding any new issuances concurrent with such transactions) without consideration or for a consideration per share less than the Warrant Price in effect immediately prior to the issuance of such Additional Shares of Common Stock, the Warrant Price in effect immediately prior to each such issuance shall forthwith be adjusted to be equal to the amount of consideration per share received in connection with such issuance, as determined pursuant to Section 2.6. Notwithstanding the foregoing, the provisions of this Section 2.2.1 shall not apply to Additional Shares of Common Stock issued through an Employee Equity Issuance.

2.2.2 Dilutive Issuances due to Employee Equity Issuances. If the Company shall issue, after March 12, 2003, any Additional Shares of Common Stock through an Employee Equity Issuance without consideration or for a consideration per share less than the Warrant Price in effect immediately prior to the issuance of such Additional Shares of Common Stock, the Warrant Price in effect immediately prior to each such issuance shall forthwith be adjusted to be equal to a price determined by multiplying the Warrant Price then in effect by a fraction (which shall in no event be greater than one), the numerator



of which shall be the number of shares of Common Stock outstanding immediately prior to such issuance plus the number of shares of Common Stock that the aggregate consideration received by the Company for such issuance would purchase at the Warrant Price; and the denominator of which shall be the number of shares of Common Stock outstanding immediately prior to such issuance plus the number of shares of such Additional Shares of Common Stock. For purposes of the foregoing computation, the number of shares of Common Stock outstanding shall be deemed to include all shares of Common Stock actually outstanding and all shares of Common Stock deemed to be outstanding as a result of the application of the rules set forth in Section 2.3.

2.3 Deemed Issuance of Additional Shares of Common Stock. In the case of the issuance of Options or Convertible Securities, the following provisions shall apply for all purposes of this ARTICLE 2:

2.3.1 The aggregate maximum number of shares of Common Stock deliverable upon exercise (assuming the satisfaction of any conditions to exercisability, including without limitation, the passage of time, but without taking into account potential antidilution adjustments) of such Options (and, in the case of Options to acquire Convertible Securities, the maximum number of shares of Common Stock issuable upon conversion or exchange of such Convertible Securities) shall be deemed to have been issued at the time such Options were issued and for a consideration equal to the consideration (determined in the manner provided in Section 2.6), if any, received by the Company upon the issuance of such Options plus the minimum exercise price provided in such Options (without taking into account potential antidilution adjustments) for the Common Stock covered thereby (plus, in the case of Options to acquire Convertible Securities, the minimum additional consideration, if any, deliverable upon conversion or exchange of such Convertible Securities).

2.3.2 The aggregate maximum number of shares of Common Stock deliverable upon conversion of or in exchange (assuming the satisfaction of any conditions to convertibility or exchangeability, including, without limitation, the passage of time, but without taking into account potential antidilution adjustments) for such Convertible Securities or upon the exercise of Options to purchase Convertible Securities and subsequent conversion or exchange thereof shall be deemed to have been issued at the time such Convertible Securities were issued or such Options were issued and for a consideration equal to the consideration, if any, received by the Company for any such Convertible Securities and related Options (excluding any cash received on account of accrued interest or accrued dividends), plus the minimum additional consideration, if any, to be received by the Company (without taking into account potential antidilution

adjustments) upon the conversion or exchange of such Convertible Securities or the exercise of any related Options (the consideration in each case to be determined in the manner provided in Section 2.6).

- 2.3.3 If, following the issuance of Options or Convertible Securities and the determination of the impact of such issuance pursuant to Section 2.3.1 or 2.3.2 above, there is any change in the maximum number of shares of Common Stock deliverable or in the minimum consideration payable to the Company upon exercise of such Options or upon conversion of or in exchange for such Convertible Securities, including, but not limited to, a change resulting from the antidilution provisions thereof, the Warrant Price shall be recomputed to reflect such change, but no further adjustment shall be made for the actual issuance of Common Stock or any payment of such consideration upon the exercise of any such Options or the conversion or exchange of such Convertible Securities.
- 2.3.4 The number of shares of Common Stock deemed issued and the consideration deemed paid therefor pursuant to sections 2.3.1 and 2.3.2 shall be appropriately adjusted to reflect any change of the type described in subsection 2.3.3. No readjustment of the Warrant Price pursuant to a change described in the preceding sentence shall increase the Warrant Price more than the amount of any decrease made in respect of the corresponding issue of Options or Convertible Securities.
- 2.3.5 For purposes of this ARTICLE 2, Securities (including Options or Convertible Securities) shall be deemed to be issued on the earliest to occur of the grant, issuance, or sale of, or the fixing of a record date with respect to the distribution or issuance of, such securities.
- 2.4 Stock Dividends, Splits, Etc. If the Company declares or pays a dividend on its Common Stock payable in Common Stock, or other securities, subdivides the outstanding Common Stock into a greater amount of Common Stock, then upon exercise of this Warrant, for each Share acquired, Holder shall receive, without cost to Holder, the total number and kind of securities to which Holder would have been entitled had Holder owned the Shares of record as of the date the dividend or subdivision occurred. If the outstanding shares are combined or consolidated, by reclassification or otherwise, into a lesser number of shares, the Warrant Price shall be proportionately increased.
- 2.5 Reclassification, Exchange, Combinations or Substitution. Upon any reclassification, exchange, substitution, or other event that results in a change of the number and/or class of the securities issuable upon exercise or conversion of this Warrant, Holder shall be entitled to receive, upon exercise or conversion of this Warrant, the number and kind of securities and property that Holder would have received for the Shares if this Warrant had been exercised immediately before such reclassification, exchange, substitution, or

other event. The Company or its successor shall promptly issue to Holder a new Warrant for such new securities or other property. The new Warrant shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this ARTICLE 2 including, without limitation, adjustments to the Warrant Price and to the number of securities or property issuable upon exercise of the new Warrant. The provisions of this Section 2.5 shall similarly apply to successive reclassifications, exchanges, substitutions, or other events.

- 2.6 Computation of Consideration. The consideration received by the Company for the issuance of any Additional Common Shares shall be computed as follows:
- 2.6.1 In the case of the issuance of Additional Shares of Common Stock for cash, the consideration shall be deemed to be the amount of cash paid therefore after deducting any reasonable discounts, commissions or other expenses allowed, paid or incurred by this Company for any underwriting or otherwise in connection with the issuance and sale thereof.
- 2.6.2 In the case of the issuance of Additional Shares of Common Stock for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair value thereof as determined in good faith by the Board of Directors. The Company shall provide the Holder with written notice of its fair market value determination pursuant to this Section 2.6.2 within 30 days following such issuance. If the holders of a majority of the outstanding warrants issued pursuant to the Purchase Agreement ("Majority Holders") deliver to the Company, within 30 days following delivery of the Company's written notice, written notice of their objection to such determination the fair market value shall be determined pursuant to the Appraisal Procedure, which determination shall be binding on the Holder and the company.
- 2.6.3 The consideration for Additional Shares of Common Stock issued together with other property of the Company for consideration that covers both shall be determined in good faith by the Board of Directors. The Company shall provide the Holder with written notice of its determination of the consideration provided in connection with an issuance covered by Section 2.6.3 within 30 days following such issuance. If the Majority Holders deliver to the Company, within 30 days following delivery of the Company's written notice, objection to such determination, the consideration provided shall be determined pursuant to the Appraisal Procedure, which determination shall be binding on the Holder and the Company.
- 2.7 No Impairment. The Company shall not, by amendment of its Certificate of Incorporation or through a reorganization, transfer of assets, consolidation,

merger, dissolution, issue, or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed under this Warrant by the Company, but shall at all times in good faith assist in carrying out of all the provisions of this ARTICLE 2 and in taking all such action as may be necessary or appropriate to protect Holder's rights under this Article against impairment.

- 2.8 Fractional Shares. No fractional Shares shall be issuable upon exercise or conversion of the Warrant and the number of Shares to be issued shall be rounded down to the nearest whole Share. If a fractional share interest arises upon any exercise or conversion of the Warrant, the Company shall eliminate such fractional share interest by paying Holder the amount computed by multiplying the fractional interest by the fair market value of a full Share.
- 2.9 Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Warrant Price pursuant to this ARTICLE 2, the Company at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to the Holder a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment is based; provided, however, that the Company shall not be required to provide each holder with such a certificate more than one time per calendar quarter. The Company shall, upon the written request at any time of the Holder, furnish or cause to be furnished to the Holder a like certificate setting forth (i) such adjustments and readjustments, (ii) the Warrant Price in effect at the time, and (iii) the number of shares of Common Stock and the amount, if any, of other property which at the time would be received upon exercise of the Warrant.
- 2.10 Appraisal Procedure. In the event of a challenge to the fair market value determinations of the board of directors pursuant to Section 1.2.1 or 2.6.2, or the amount of consideration determined pursuant to Section 2.6.3, the Company and the Holder (or in case of Sections 2.6.2 and 2.6.3, the Majority Holders) shall attempt to select an investment banking firm to resolve such dispute. In the event that the Company and the Holder (or Majority Holders) are unable to agree upon an investment banking firm, within 30 days following the delivery of the Holder's (or Majority Holder's) written objections ("Objection Date"), the Company and the Holder (or Majority Holders), within 45 days following the Objection Date, shall each select an investment banking firm with a national reputation and the two firms so selected shall agree upon a third investment banking firm, which shall resolve such dispute. The findings of the investment banking firm so selected shall be binding on the Company and the Holder (or Majority Holders, as the case may be). The fees and costs of the investment banking firm selected shall be borne one-half by the Company and one-half by the Holder (or Majority Holders, as the case may be).

ARTICLE 3. REPRESENTATIONS AND COVENANTS OF THE COMPANY.

- 3.1 Representations and Warranties. The Company represents and warrants to the Holder that all Shares which may be issued upon the exercise of the purchase right represented by this Warrant, shall, upon issuance, be duly authorized, validly issued, fully paid and nonassessable, and free of any liens and encumbrances except for restrictions on transfer provided for herein or under applicable federal and state securities laws.
- 3.2 Notice of Certain Events. If the Company proposes at any time (a) to declare any dividend or distribution upon its common stock, whether in cash, property, stock, or other securities and whether or not a regular cash dividend; (b) to offer for subscription pro rata to the holders of any class or series of its stock any additional shares of stock of any class or series or other rights; (c) to effect any reclassification or recapitalization of common stock; (d) to merge or consolidate with or into any other corporation, or sell, lease, license, or convey all or substantially all of its assets, or to liquidate, dissolve or wind up; or (e) offer holders of registration rights the opportunity to participate in an underwritten public offering of the company's securities for cash, then, in connection with each such event, the Company shall give Holder (1) at least 10 days prior written notice of the date on which a record will be taken for such dividend, distribution, or subscription rights (and specifying the date on which the holders of common stock will be entitled thereto) or for determining rights to vote, if any, in respect of the matters referred to in (a), (b), (c) and (d) above; (2) in the case of the matters referred to in (c) and (d) above at least 10 days prior written notice of the date when the same will take place (and specifying the date on which the holders of common stock will be entitled to exchange their common stock for securities or other property deliverable upon the occurrence of such event); and (3) in the case of the matter referred to in (e) above, the same notice as is given to the holders of such registration rights.
- 3.3 Registration Under Securities Act of 1933, as amended. The Company agrees that the Shares or, if the Shares are convertible into common stock of the Company, such common stock, shall be subject to the registration rights set forth in the Registration Rights Agreement between the Company, the Holder and certain other parties dated as of March 12, 2003, as amended.

ARTICLE 4. MISCELLANEOUS.

- 4.1 Voting Rights. This Warrant shall not entitle the registered holder to any voting rights or other rights as a stockholder of the Company but upon presentation of this Warrant with the Notice of Exercise duly executed and, if exercised pursuant to Section 1.1, the tender of payment of the Warrant Price at the office of the Company pursuant to the provisions of this Warrant, the registered holder shall forthwith be deemed a stockholder of the Company in respect of the Shares so subscribed for.

- 4.2 No Change Necessary. The form of this Warrant need not be changed because of any adjustment in the Warrant Price or in the number of Shares issuable upon its exercise. A Warrant issued after any adjustment on any partial exercise or upon replacement may continue to express the same Warrant Price and the same number of Shares (appropriately reduced in the case of partial exercise) as are stated on this Warrant as initially issued, and that Warrant Price and that number of shares shall be considered to have been so changed as of the close of business on the date of adjustment.
- 4.3 Term. This Warrant is exercisable in whole or in part at any time and from time to time beginning six months after the date hereof, through and including the Expiration Date.
- 4.4 Legends. This Warrant and the Shares (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) shall be imprinted with a legend in substantially the following form:

THIS WARRANT AND THE SHARES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") OR STATE SECURITIES LAWS AND NO TRANSFER OF SUCH SECURITIES MAY BE MADE EXCEPT (A) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT AND THE RULES AND REGULATIONS THEREUNDER AND OF ALL APPLICABLE STATE SECURITIES OR "BLUE SKY" LAWS, OR (B) PURSUANT TO AN EXEMPTION THEREFROM UNDER SAID ACT AND ALL APPLICABLE STATE SECURITIES OR "BLUE SKY" LAWS WITH RESPECT TO WHICH THE COMPANY MAY, UPON REQUEST, REQUIRE A SATISFACTORY OPINION OF COUNSEL FOR THE HOLDER THAT SUCH TRANSFER IS EXEMPT FROM THE REQUIREMENTS OF THE ACT.

- 4.5 Compliance with Securities Laws on Transfer. This Warrant and the Shares issuable upon exercise of this Warrant (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) may not be transferred or assigned in whole or in part without compliance with applicable federal and state securities laws by the transferor and the transferee (including, without limitation, the delivery of investment representation letters and legal opinions reasonably satisfactory to the Company, as reasonably requested by the Company). The Company shall not require Holder to provide an opinion of counsel if the transfer is to an affiliate of Holder or if there is no material question as to the availability of current information as referenced in Rule 144(c), Holder represents that it has complied with Rule 144(d) and (e) in reasonable detail, the selling broker represents that it has complied with Rule 144(f), and the Company is provided with a copy of Holder's notice of proposed sale.
- 4.6 Transfer Procedure. Subject to the provisions of Section 4.5, Holder may transfer all or part of this Warrant or the Shares issuable upon exercise of this

Warrant (or the securities issuable, directly or indirectly, upon conversion of the Shares, if any) to any affiliate of Holder at any time without prior notice to Company; provided, however, if Holder transfers this Warrant, Holder will give the Company notice of the portion of the Warrant being transferred with the name, address and taxpayer identification number of the transferee and surrendering this Warrant to the Company for reissuance to the transferee(s) (and Holder if applicable).

- 4.7 Notices. All notices and other communications from the Company to the Holder, or vice versa, shall be deemed delivered and effective when given personally or mailed by first-class registered or certified mail, postage prepaid, at such address as may have been furnished to the Company or the Holder, as the case may be, in writing by the Company or such holder from time to time. Notices shall be addressed as follows:

If to Holder, to the address set forth on the signature page hereto.

With a copy to:

Irell & Manella LLP  
1800 Avenue of the Stars, Suite 900  
Los Angeles, CA 90067  
Attn: Alvin G. Segel, Esq.

If to Company:

Novatel Wireless, Inc.  
9360 Towne Centre Drive, Suite 110  
San Diego, California  
Attn: Peter Leparulo, Chief Executive Officer

With a copy to:

Latham & Watkins LLP  
633 West Fifth Street, Suite 4000  
Los Angeles, CA 90071  
Attn: J. Scott Hodgkins, Esq.

- 4.8 Waiver. This Warrant and any term hereof may be amended, changed, waived, discharged or terminated only by an instrument in writing signed by the Company and the Majority Holders.
- 4.9 Remedies. The Company stipulates that the remedies at law of the Holder in the event of any default or threatened default by the Company in the performance of or compliance with any of the terms of this Warrant are not and will not be adequate, and that such terms may be specifically enforced by

a decree for the specific performance of any agreement contained herein or by an injunction against a violation of any of the terms hereof or otherwise.

- 4.10 Taxes. The Company shall pay any issue or transfer taxes payable in connection with the exercise of the Warrant, provided, however, that the Company shall not be required to pay any tax which may be payable in respect of any transfer to a name other than that of the Holder.
- 4.11 Attorney's Fees. In the event of any legal or equitable action between the parties concerning the terms and provisions of this Warrant, the party prevailing in such legal or equitable action shall be entitled to collect from the other party all costs incurred in such dispute, including reasonable attorneys' fees.
- 4.12 Automatic Conversion upon Expiration. In the event that, upon the Expiration Date, the fair market value of one Share (or other security issuable upon the exercise hereof) as determined in accordance with Section 1.2.1 above is greater than the Exercise Price in effect on such date, then this Warrant shall automatically be deemed on and as of such date to be converted pursuant to Section 1.2 above as to all Shares (or such other securities) for which it shall not previously have been exercised or converted, and the Company shall deliver a certificate representing the Shares (or such other securities) issued upon such conversion to the Holder.
- 4.13 Governing Law. This Warrant shall be governed by and construed in accordance with the laws of the State of California, without giving effect to its principles regarding conflicts of law.

"COMPANY"

Novatel Wireless, Inc.

By: /s/ Peter V. Leparulo  
Name: Peter V. Leparulo  
Title: Chief Executive Officer

By: /s/ Melvin L. Flowers  
Name: Melvin L. Flowers  
Title: Sr. V.P. Finance, and CFO



HOLDER'S ADDRESS


NOTICE OF EXERCISE

To: Novatel Wireless, Inc.

(1) The undersigned hereby (A) elects to purchase \_\_\_\_\_ shares of common stock of Novatel Wireless, Inc., pursuant to the provisions of Section 1.1 of the attached Warrant, and tenders herewith payment of the purchase price for such shares in full, or (B) elects to exercise this Warrant with respect to \_\_\_\_\_ shares of common stock issuable upon exercise of the Warrant, pursuant to the provisions of Section 1.2 of the attached Warrant.

(2) Please issue a certificate or certificates representing said shares of common stock in the name of the undersigned or in such other name as is specified below:

\_\_\_\_\_  
(Name)

\_\_\_\_\_  
(Name)

(3) Please issue a new Warrant for the unexercised portion of the attached Warrant in the name of the undersigned or in such other name as is specified below:

\_\_\_\_\_  
(Name)

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Signature)  
Address of Holder:

## FORM OF SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this "AGREEMENT"), dated as of March 12, 2003, is entered into by and between Novatel Wireless, Inc., a Delaware corporation (the "GRANTOR"), and PS Capital LLC, as collateral agent and representative (in such capacity, the "AGENT") for the holders ("NOTE HOLDERS") of the Secured Convertible Subordinated Notes dated as of the date hereof (as amended and in effect from time to time, the "SECURED NOTES"), issued by the Grantor to the Note Holders. The Note Holders and the Agent, including their respective successors and permitted assigns, are collectively referred to herein as the "SECURED PARTIES."

## RECITALS

WHEREAS, the Grantor and the Note Holders have entered into a Securities Purchase Agreement (the "PURCHASE AGREEMENT"), pursuant to which, among other things, the Note Holders have agreed to lend to the Grantor the aggregate principal sum of \$1,200,000 (the "LOAN"), which Loan will be evidenced by the Secured Notes;

WHEREAS, in order to induce the Note Holders to make the Loan, the Grantor has agreed to grant security interests in favor of the Agent, as collateral agent and representative for the pro rata benefit of the Note Holders, as more fully set forth herein;

WHEREAS, it is a condition precedent to the Note Holders entering into the Purchase Agreement and making the Loan that the Grantor executes and delivers this Security Agreement; and

WHEREAS, the Grantor previously granted security interests in favor of two existing and senior secured parties;

NOW, THEREFORE, in consideration of the premises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

## AGREEMENT

Section 1. Definitions. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Purchase Agreement, or, if not defined therein, shall have the meanings set forth in the Secured Notes. All terms defined in the Uniform Commercial Code as from time to time enacted and in effect in the State of California (the "UCC") and used herein without other definitions shall have the same definitions herein as specified from time to time therein. In addition, the following terms shall have the respective meanings set forth below:

"OBLIGATIONS" means all indebtedness, obligations and liabilities of the Grantor to the Secured Parties, in its capacity as such, under the Secured Notes and this Agreement, including without limitation principal, interest (whether accruing prior to or after the commencement of any proceeding under bankruptcy, insolvency, receivership or similar laws), and all fees, costs and expenses payable in respect thereof (including reasonable legal, investment banking, accounting, and other professional fees and expenses

and court costs) existing on the date of this Agreement or arising thereafter, whether direct or indirect, joint or several, absolute or contingent, matured or unmatured, liquidated or unliquidated, arising by contract, operation of law or otherwise, arising or incurred under this Agreement or the Secured Notes or in respect of the Loan or any other extensions of credit made under the Secured Notes or other instruments at any time evidencing any thereof or otherwise made by the Secured Parties.

"PERMITTED LIENS" means (a) liens to secure taxes, assessments and other government charges in respect of obligations not overdue or being contested in good faith through appropriate procedures or liens to secure claims for labor, material or supplies in respect of obligations not overdue or being contested in good faith through appropriate procedures; (b) deposits or pledges made in connection with, or to secure payment of, workmen's compensation, unemployment insurance, old age pensions or other social security obligations; (c) liens in respect of judgments or awards that otherwise do not create an Event of Default; (d) liens of carriers, warehousemen, mechanics and materialmen, and other like liens, in existence less than 60 days from the date of creation thereof in respect of obligations not overdue or being contested in good faith through appropriate procedures; (e) encumbrances on real estate consisting of easements, rights of way, zoning restrictions, restrictions on the use of real property and defects and irregularities in the title thereto, landlord's or lessor's liens under leases to which the Grantor is a party; (f) liens in favor of the Secured Parties; (g) purchase money security interests in specific items of equipment; (h) liens granted pursuant to the Silicon Valley Bank Agreement, so long as the aggregate principal amount of the obligations outstanding with respect to such liens does not exceed the "Credit Limit" as defined in the Silicon Valley Bank Agreement (as such definition is formulated as of the date hereof); (i) liens granted pursuant to the Sanmina Agreements (but only prior to the issuance of the Sanmina Notes); (j) liens granted pursuant to the Sanmina Notes and related security agreement; and (k) liens incurred in connection with the extension, renewal or refinancing of the indebtedness secured by the lien described in clause (h) of this section, subject to the principal limit set forth in such clause.

"PERSON" means any individual, corporation, partnership, limited partnership, limited liability partnership, limited liability company, trust, association, organization, or other entity.

"RIGHTS OF THE SENIOR SECURED LENDERS" shall mean (i) the rights of Silicon Valley Bank pursuant to the Silicon Valley Bank Agreement (subject to the provisions of the Subordination Agreement of even date herewith among Silicon Valley Bank, the Grantor and the Secured Parties), and (ii) prior to the Sanmina Closing (as defined in the Purchase Agreement), the rights of Sanmina-SCI Corporation and Sanmina Canada ULC pursuant to the Sanmina Agreements. After the issuance of the Sanmina Notes, Silicon Valley Bank shall be the sole lender with a security interest that is senior to the security interest granted in this Agreement, and the security interest granted hereunder shall be pari-passu with that security interest granted pursuant to the security agreement entered into by the Grantor in connection with the Sanmina Notes.

"SILICON VALLEY BANK AGREEMENT" shall mean that certain Loan and Security Agreement, dated as of November 29, 2001, between the Company and Silicon Valley Bank, Commercial Finance Division (as amended, provided that any such amendment shall

not provide for aggregate obligations in excess of the limit provided in clause (h) of the "Permitted Liens" definition above).

"SANMINA AGREEMENTS" shall mean (i) that certain Settlement Agreement and Mutual General Release, dated as of January 12, 2002, between the Company and Sanmina-SCI Corporation and Sanmina Canada ULC; and (ii) that certain Security Agreement, dated as of January 12, 2002, between the Company and Sanmina-SCI Corporation, in each case as in effect on the date hereof.

Section 2. Grant of Security Interest.

(a) The Grantor hereby grants to the Agent, as collateral agent and representative for the pro rata benefit of the Note Holders, to secure the timely payment and performance in full of all of the Obligations, a continuing security interest in and so pledges and assigns to the Agent (as collateral agent and representative for the pro rata benefit of the Note Holders) the following properties, assets and rights of the Grantor, wherever located, whether now owned or hereafter acquired or arising, and all proceeds, products, rents, offspring and profits thereof, accessions thereto, and supporting obligations relating thereto (all of the same being hereinafter called the "COLLATERAL"):

All personal and fixture property of every kind and nature including, without limitation, all furniture, fixtures, equipment, raw materials, inventory, goods, vehicles, accounts, contract rights, payment intangibles, rights to the payment of money, insurance refund claims, health-care-insurance receivables and all other insurance claims and proceeds, tort claims, proceeds of fraudulent transfer, preference, or similar claims, pension fund overfunded amounts, chattel paper, documents, instruments, letters of credit, letter-of-credit rights, investment accounts, securities, security entitlements, securities accounts, securities contracts, commodities contracts, commodities accounts, financial assets, investment property, and all general intangibles, tax refund claims, recoveries for preference and fraudulent conveyance actions, license fees, patents, patent applications, trademarks, trademark applications, trade names, trade styles, trade dress, logos, other source of business identifiers, associated product lines, rights to use, advertise, market and sell all inventions disclosed or claimed in any of the foregoing, copyrights, copyright applications, mask-works, rights to sue and recover for past infringement of patents, trademarks, copyrights and mask-works, renewals, reissues and extensions of all of the foregoing, computer programs, software, engineering drawings, service marks, customer lists, goodwill, and all licenses, permits, agreements of any kind or nature pursuant to which the Grantor possesses, uses or has authority to possess or use property (whether tangible or intangible) of others or others possess, use or have authority to possess or use property (whether tangible or intangible) of the Grantor, and all recorded data of any kind or nature, regardless of the medium of recording including, without limitation, all software, writings, plans, specifications and schematics, and all proceeds, products, rents and profits, of all of the foregoing, however evidenced; provided, however, that Collateral shall not include, and the Company shall not be deemed to have granted a security interest in, (i) any of the Company's rights or interests in any license, contract or agreement to which the Company is a party or any of its rights or interests thereunder to the extent, but only to the extent, that such a grant would, under the terms of a prohibition on assignment (which is otherwise valid and enforceable) contained in such license, contract or agreement or otherwise; and (ii) any real property.

Section 3. Title to Collateral, etc. The Grantor is the owner of the Collateral free from any adverse lien, security interest or other encumbrance, except for the security interest created by this Agreement and other Permitted Liens. The Grantor has full power and authority to grant the security interests granted pursuant to Section 2 hereof and to execute, deliver and perform its obligations in accordance with the terms of this Agreement, without the consent or approval of any other Person, other than any consent or approval that has been obtained. None of the Collateral constitutes, or is the proceeds of, "farm products" as defined in Section 9102(34) or "consumer goods" as defined in Section 9102(23), of the UCC.

Section 4. Continuous Perfection. The Grantor's principal place of business and jurisdiction of organization are as indicated on Schedule 1 hereto. Until all Obligations have been paid and performed and this Agreement has been terminated, the Grantor will not change the same, or the name, identity, corporate structure or jurisdiction of organization of the Grantor in any manner, without providing at least thirty (30) days' prior written notice to the Agent.

Section 5. No Liens. Except for the security interest herein granted and other Permitted Liens, the Grantor shall be the owner of the Collateral free from any lien, security interest or other encumbrance, and the Grantor shall defend the same against all claims and demands of all Persons at any time claiming the same or any interests therein adverse to the Secured Parties. The Grantor shall not pledge, mortgage or create, or suffer to exist a security interest in the Collateral in favor of any Person other than the Agent (as collateral agent and for the pro rata benefit of the Secured Parties), except for Permitted Liens.

Section 6. No Transfers. The Grantor will not sell or offer to sell or otherwise transfer the Collateral or any interest therein except for (a) licenses of general intangibles in the ordinary course of business and (b) sales or other dispositions in the ordinary course of business.

Section 7. Maintenance of Collateral; Compliance with Law. The Grantor will keep the Collateral in good order and repair (subject to ordinary wear and tear) and will not use the same in violation of law or any policy of insurance thereon. The Agent, or its designee, may inspect the Collateral at any reasonable time and upon reasonable notice, wherever located. The Grantor will pay promptly when due, or contest in good faith via appropriate procedures, all taxes, assessments, governmental charges and levies upon the Collateral or incurred in connection with the use or operation of such Collateral or incurred in connection with this Agreement.

Section 8. Collateral Protection Expenses; Preservation of Collateral.

(a) In its discretion, but subject to Rights of the Senior Secured Lenders, the Agent may discharge taxes and other encumbrances at any time levied or placed on any of the Collateral, make repairs thereto and pay any necessary filing fees. The Grantor agrees to reimburse the Agent on demand for any and all expenditures so made. The Agent shall have no obligation to the Grantor to make any such expenditures, nor shall the making thereof relieve the Grantor of any default.

(b) Anything herein to the contrary notwithstanding, the Grantor shall remain liable under each contract or agreement comprised in the Collateral to be observed or performed by the Grantor thereunder. Neither the Agent nor any Secured Party shall have any obligation or liability under any such contract or agreement by reason of or arising out of this Agreement or the receipt by the Agent or any Secured Party of any payment relating to any of the Collateral, nor shall the Agent or any Secured Party be obligated in any manner to perform any of the obligations of the Grantor under or pursuant to any such contract or agreement, to make inquiry as to the nature or sufficiency of any payment received by the Agent or any Secured Party in respect of the Collateral or as to the sufficiency of any performance by any party under any such contract or agreement, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts that may have been assigned to the Agent or to which the Agent may be entitled at any time or times. The Agent's sole duty with respect to the custody, safe keeping and physical preservation of the Collateral in its possession, under Section 9207 and, with respect to Collateral under the Agent's control, Section 9208, of the UCC or otherwise, shall be to deal with such Collateral in the same manner as the Agent deals with similar property for its own account.

Section 9. Securities and Deposits. Subject to the Rights of the Senior Secured Lenders, the Agent may at any time, at its option, transfer to itself or any nominee any securities constituting Collateral, receive any income thereon and hold such income as additional Collateral or apply it on the Obligations. Whether or not Obligations are due the Agent may (subject to the Rights of the Senior Secured Lenders) demand, sue for, collect, or make any settlement or compromise it deems desirable with respect to the Collateral. Regardless of the adequacy of the Collateral or any other security for the Obligations, any deposits or other sums at any time credited by or due from any Secured Party to the Grantor may at any time be applied or set off against any of the Obligations.

Section 10. Notification to Account Debtors and Other Obligors. Subject to the Rights of the Senior Secured Lenders, the Grantor shall, at any time upon the request of the Agent, notify account debtors on accounts, chattel paper and general intangibles of the Grantor and obligors on instruments or other collateral for which the Grantor is an obligee of the security interest of the Agent in any account, chattel paper, general intangible or instrument and that payment thereof is to be made directly to the Agent or the Secured Parties or to any financial institution designated by the Agent as the Agent's agent therefor, and the Agent may itself, without notice to or demand upon the Grantor, so notify account debtors and obligors. After the making of such a request or the giving of any such notification, the Grantor shall hold any proceeds of collection of accounts, chattel paper, general intangibles and instruments received by the Grantor as trustee for the Agent and the Secured Parties without commingling the same with other funds of the Grantor and shall turn the same over to the Agent in the identical form received, together with any necessary endorsements or assignments. Subject to the Rights of the Senior Secured Lenders, the Grantor shall apply the proceeds of collection of accounts, chattel paper, general intangibles, and instruments received by the Agent to the Obligations, such proceeds to be immediately entered after final payment in cash or solvent credits of the items giving rise to them.

Section 11. Further Assurances. The Grantor, at its own expense, shall promptly do, make, execute and deliver all such additional and further acts, things, deeds, assurances and instruments as the Agent may reasonably request more completely to vest in and assure to

the Agent its rights hereunder or in any of the Collateral (on behalf of, and for the pro rata benefit of, the Secured Parties), including, without limitation, (a) executing (if necessary), delivering and, where appropriate, filing financing statements and continuation statements under the UCC and documents having comparable functions under other applicable law; (b) obtaining governmental and other third party consents and approvals, including without limitation any consent of any licensor, lessor or other applicable party; (c) obtaining waivers from mortgagees and landlords; (d) subject to the Rights of the Senior Secured Lenders, taking all actions required by the UCC, including obtaining any necessary agreements from securities intermediaries, depository banks, or, as applicable, letter of credit issuers, to establish and maintain the Agent's control over all investment property, deposit accounts, chattel paper, and letter of credit rights; (e) obtaining insurance endorsements, including (subject to the Rights of the Senior Secured Lenders) loss payee and additional insured endorsements, as applicable; and (f) promptly notifying the Agent of any commercial tort claim arising after the date hereof. The Grantor authorizes the Agent from time to time to file such financing statements or other documents as the Agent may deem appropriate to perfect the security interest granted hereunder, or to ensure the continuing perfection, priority and enforceability thereof. The Grantor acknowledges that any such financing statements may describe the Collateral as "all assets" of the Grantor or contain any other description of similar import. Subject to the Rights of the Senior Secured Lenders, if any amount greater than \$50,000, in the aggregate, payable under or in connection with any of the Collateral shall be or become evidenced by any promissory note or other instrument, such note or instrument shall be immediately pledged and delivered to the Agent, duly endorsed in a manner satisfactory to the Agent.

Section 12. Power of Attorney.

(a) Subject to the Rights of the Senior Secured Lenders, the Grantor hereby irrevocably constitutes and appoints the Agent and any officer or agent thereof, with full power of substitution, as its true and lawful attorneys-in-fact with full irrevocable power and authority in the place and stead of the Grantor or in the Agent's own name, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments that may be necessary or desirable to accomplish the purposes of this Agreement and, without limiting the generality of the foregoing, hereby gives said attorneys the power and right, on behalf of the Grantor, without notice to or assent by the Grantor, to do the following:

(i) upon the occurrence and during the continuance of an Event of Default, generally to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral in such manner as is consistent with the UCC and as fully and completely as though the Agent were the absolute owner thereof for all purposes, and to do at the Grantor's expense, at any time, or from time to time, all acts and things that the Agent deems necessary to protect, preserve or realize upon the Collateral and the Agent's security interest therein, in order to effect the intent of this Agreement, all as fully and effectively as the Grantor might do, including, without limitation, (A) the filing and prosecuting of registration and transfer applications with the appropriate federal or local agencies or authorities with respect to trademarks, copyrights and patentable inventions and processes, (B) upon written notice to the Grantor and any other secured lenders, the exercise of voting rights with respect to voting securities, which rights may be exercised, if the Agent so elects,



with a view to causing the liquidation in a commercially reasonable manner of assets of the issuer of any such securities and (C) the execution, delivery and recording, in connection with any sale or other disposition of any Collateral, the endorsements, assignments or other instruments of conveyance or transfer with respect to such Collateral; and

(ii) to file such financing statements, including amendments, assignments, continuation statements and initial financing statements in lieu of continuation statements, with respect hereto, with or without the Grantor's signature, or a photocopy of this Agreement in substitution for a financing statement, in tangible form, electronically or by any other available means, at such times and with such filing offices as the Agent may deem appropriate and to execute in the Grantor's name any financing statements and continuation statements which may for any reason require the Grantor's signature. Any such financing statements may describe the Collateral as described herein, may indicate that the Agent has a security interest in all assets or all personal property of the Grantor, or may otherwise appropriately describe the Collateral.

(b) To the extent permitted by law, the Grantor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable.

(c) The powers conferred on the Agent hereunder are solely to protect the interests of the Agent (and the Secured Parties) in the Collateral and shall not impose any duty upon the Agent to exercise any such powers. The Agent shall be accountable only for the amounts that it actually receives as a result of the exercise of such powers and neither it nor any of its officers, directors, employees or agents shall be responsible to the Grantor for any act or failure to act, except for the Agent's own gross negligence or willful misconduct.

Section 13. Remedies. Subject to the Rights of the Senior Secured Lenders, if an Event of Default shall have occurred and be continuing, the Agent may, without notice or demand to the Grantor, declare this Agreement to be in default, and the Agent shall thereafter have in any jurisdiction in which enforcement hereof is sought, in addition to all other rights and remedies, the rights and remedies of a secured party under the UCC, including, without limitation, the right to take possession of the Collateral for the pro rata benefit of the Secured Parties, and for that purpose the Agent may, so far as the Grantor can give authority therefor, enter upon any premises on which the Collateral may be situated and remove the same therefrom. Subject to the Rights of the Senior Secured Lenders, the Agent may in its discretion require the Grantor to assemble all or any part of the Collateral at such location or locations within the state(s) of the Grantor's principal office(s) or at such other locations as the Agent may designate. Subject to the Rights of the Senior Secured Lenders, unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, the Agent shall give to the Grantor at least ten (10) business days' prior written notice of the time and place of any public sale of Collateral or of the time after which any private sale or any other intended disposition is to be made. The Grantor waives any and all rights that it may have to judicial hearing in advance of the enforcement of any of the Agent's and the Secured Parties' rights hereunder, including, without limitation, its right following an Event of Default to take immediate possession of the Collateral and exercise its rights with respect thereto.

Section 14. Waivers; Amendment.

(a) The Grantor waives (to the extent permitted by applicable law) demand, notice, protest, notice of acceptance of this Agreement, notice of Loan made, credit extended, Collateral received or delivered or other action taken in reliance hereon and all other demands and notices of any description. With respect to both the Obligations and the Collateral, the Grantor assents to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of Collateral, to the addition or release of any party or Person primarily or secondarily liable, to the acceptance of partial payment thereon and the settlement, compromising or adjusting of any thereof, all in such manner and at such time or times as the Agent may deem advisable. Neither the Secured Parties nor the Agent shall have any duty as to the collection or protection of the Collateral or any income thereon, nor as to the preservation of rights against prior parties, nor as to the preservation of any rights pertaining thereto beyond the safe custody thereof.

(b) No amendment of any provision of this Agreement shall in any event be effective unless the same shall be in writing and signed by both parties hereto. The Agent shall not be deemed to have waived any of its or the Secured Parties' rights upon or under the Obligations or the Collateral unless such waiver shall be in writing and signed by the Agent. No delay or omission on the part of the Agent in exercising any right shall operate as a waiver of such right or any other right. A waiver on any one occasion shall not be construed as a bar to or waiver of any right on any future occasion. All rights and remedies of the Agent and the Secured Parties with respect to the Obligations or the Collateral, whether evidenced hereby or by any other instrument or papers, shall be cumulative and may be exercised singularly, alternatively, successively or concurrently at such time or at such times as the Agent deems expedient.

Section 15. Marshalling. The Agent shall not be required to marshal any present or future collateral security (including but not limited to this Agreement and the Collateral) for, or other assurances of payment of, the Obligations or any of them or to resort to such collateral security or other assurances of payment in any particular order, and all of the rights of the Agent and the Secured Parties hereunder in respect of such collateral security and other assurances of payment shall be cumulative and in addition to all other rights, however existing or arising. To the extent that it lawfully may, the Grantor hereby agrees that it will not invoke any law relating to the marshalling of collateral that might cause delay in or impede the enforcement of the Agent's or the Secured Parties' rights under this Agreement or under any other instrument creating or evidencing any of the Obligations or under which any of the Obligations is outstanding or by which any of the Obligations is secured or payment thereof is otherwise assured, and, to the extent that it lawfully may, the Grantor hereby irrevocably waives the benefits of all such laws.

Section 16. Proceeds of Dispositions; Expenses. The Grantor shall pay to the Agent and the Secured Parties on demand any and all reasonable expenses, including expenses of its counsel, accountants and of any experts, agents or other professional advisors, incurred or paid by the Agent or the Secured Parties in protecting, preserving or enforcing the Agent's or the Secured Parties' rights under or in respect of any of the Obligations or any of the Collateral. After deducting all of said expenses, the residue of any proceeds of collection or sale of the Obligations or Collateral shall, to the extent actually received in cash, be applied

to the payment of the Obligations in such order or preference as the Agent may determine, proper allowance being made for any Obligations not then due. Upon the final payment and satisfaction in full of all of the Obligations and after making any payments required by Sections 9608 and 9615 of the UCC, any excess shall be returned to the Grantor. In the event that the proceeds of dispositions of all Collateral are not sufficient to pay the Obligations in full, the Grantor shall remain liable for any deficiency.

Section 17. Overdue Amounts. Until paid, all amounts due and payable by the Grantor hereunder shall be a debt secured by the Collateral and shall bear, whether before or after judgment, interest at the rate of interest for overdue principal set forth in the Secured Note.

Section 18. Continuing Security Interest; Termination. This Agreement shall create a continuing security interest in all of the Collateral and the security interest shall survive until, and this Agreement shall remain in full force and effect and terminate only upon, the payment and performance in full of all Obligations (including payment in full in cash in immediately available funds in the case of Obligations consisting of payment obligations).

Section 19. Reinstatement. This Agreement shall remain in full force and effect and continue to be effective should any petition be filed by or against Company for liquidation or reorganization, should Company become insolvent or make an assignment for the benefit of any creditor or creditors, or should a receiver or trustee be appointed for all or any significant part of Company's assets, and shall continue to be effective or be reinstated, as the case may be, if at any time payment and performance of the Obligations, or any part thereof, is, pursuant to applicable law, rescinded or reduced in amount, or must otherwise be restored or returned by any obligee of the Obligations, whether as a "voidable preference," "fraudulent transfer," or otherwise, all as though such payment or performance had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, restored or returned, the Obligations shall be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

Section 20. Governing Law. THIS AGREEMENT SHALL FOR ALL PURPOSES BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL SUBSTANTIVE LAWS OF THE STATE OF CALIFORNIA (EXCEPT TO THE EXTENT THAT THE UNIFORM COMMERCIAL CODE OF ANOTHER STATE WOULD GOVERN MATTERS PERTAINING TO COLLATERAL PURSUANT TO THE CHOICE OF LAW RULES SET FORTH IN THE APPLICABLE UNIFORM COMMERCIAL CODE). The parties hereto (a) agree that any legal suit, action or proceeding arising out of or relating to this Agreement will be instituted exclusively in the courts of the State of California sitting in the County of Los Angeles, or any Federal court in such State, (b) waive any objection which such party may have now or hereafter based upon forum non conveniens or to the venue of any such suit, action or proceeding, and (c) irrevocably consent to the jurisdiction of the State Courts located in said State in any such suit, action or proceeding. Each such party further agrees to accept and acknowledge service of any and all process which may be served in any such suit, action or proceeding in said courts in said State, and agrees that service of process upon such party, mailed by certified mail to such party's address specified in Section 22, will be deemed in every respect effective service of process upon such party, in any suit, action or proceeding.

Section 21. Waiver of Jury Trial. EACH PARTY HERETO WAIVES THEIR RIGHTS TO A JURY TRIAL WITH RESPECT TO ANY ACTION OR CLAIM ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS AGREEMENT, ANY RIGHTS OR OBLIGATIONS HEREUNDER OR THE PERFORMANCE OF ANY SUCH RIGHTS OR OBLIGATIONS. Except as prohibited by law, each party waives any right that it may have to claim or recover in any litigation referred to in the preceding sentence any special, exemplary, punitive or consequential damages or any damages other than, or in addition to, actual damages. The Grantor (a) certifies that neither the Agent y nor any representative, agent or attorney of the Agent has represented, expressly or otherwise, that the Agent would not, in the event of litigation, seek to enforce the foregoing waivers and (b) acknowledges that, in making the Loan evidenced by the Secured Note, the Secured Parties and the Agent are relying upon, among other things, the waivers and certifications contained in this Section 21.

Section 22. Miscellaneous.

(a) The headings of each section of this Agreement are for convenience only and shall not define or limit the provisions thereof.

(b) This Agreement and all rights and obligations hereunder shall be binding upon the Grantor and its respective successors and assigns, and shall inure to the benefit of the Agent, the Secured Parties, and their successors and assigns.

(c) If any term of this Agreement shall be held to be invalid, illegal or unenforceable, the validity of all other terms hereof shall in no way be affected thereby, and this Agreement shall be construed and be enforceable as if such invalid, illegal or unenforceable term had not been included herein.

(d) This Agreement and the Exhibits and Schedules, taken together with the Secured Note and the Purchase Agreement and the other documents contemplated therein and herein represents the final agreement between the parties hereto with respect to the matters set forth herein and may supersede any prior oral or written, or any contemporaneous oral agreements or understandings of the parties hereto.

(e) Notices, demands, consents or other communications given or made in connection with this Note shall be in writing and shall be sent via facsimile or mailed by first-class registered or certified airmail, or nationally recognized overnight express courier postage prepaid, and deemed given when so mailed to the following addresses:

if to Grantor, to:

Novatel Wireless, Inc.  
9360 Towne Centre Drive, Suite 110  
San Diego, CA 92121  
Attention: Peter Leparulo, Chief  
Executive Officer  
Facsimile: (858) 812-3414

with a copy so mailed to:

Latham & Watkins LLP  
633 West Fifth Street, Suite 4000  
Los Angeles, CA 90071-2007  
Attention: J. Scott Hodgkins, Esq.  
Facsimile: (213) 891-8763

if to Agent to:

PS Capital LLC  
800 Fifth Avenue, Suite 19a  
New York, NY 10002  
Attention: Stan Blau  
Facsimile: (212) 988-5333

with a copy so mailed to:

Irell & Manella LLP  
1800 Avenue of the Stars, Suite 900  
Los Angeles, CA 90067  
Attention: Alvin G. Segel, Esq.  
Facsimile: (310) 203-7199

(f) This Agreement may be executed in two or more counterparts and/or by facsimile, each of which shall constitute an original but all of which when taken together shall constitute but one contract. The Grantor acknowledges receipt of a copy of this Agreement.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

[Signature Page to Security Agreement]

IN WITNESS WHEREOF, intending to be legally bound, the undersigned Grantor has caused this Agreement to be duly executed as of the date first above written.

GRANTOR

Novatel Wireless, Inc.,  
a Delaware corporation

By: /s/ Peter V. Leparulo  
Name: Peter V. Leparulo  
Title: Chief Executive Officer

Accepted:

AGENT

PS Capital LLC

/s/Stanley M. Blau

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By: Stanley M. Blau  
Its: Managing Director

SCHEDULE 1

GRANTOR'S PRINCIPAL PLACE OF BUSINESS AND JURISDICTION OF ORGANIZATION

Jurisdiction of Organization: Delaware  
Principal Place of Business: California

FORM OF NOVATEL WIRELESS, INC.

AMENDED AND RESTATED  
CERTIFICATE OF DESIGNATION  
SERIES A CONVERTIBLE PREFERRED STOCK  
PURSUANT TO SECTION 151 OF THE  
GENERAL CORPORATION LAW OF THE STATE OF DELAWARE

NOVATEL WIRELESS, INC., a corporation organized and existing under the General Corporation Law of the State of Delaware (hereinafter called the "Corporation"), DOES HEREBY CERTIFY THAT, pursuant to Section 151 of the General Corporation Law of the State of Delaware (the "DGCL"), the following resolution was duly adopted and approved by a committee of the Board of Directors of the Corporation, duly designated pursuant to Section 141(c)(2) of the DGCL, at a meeting duly called and held on March [\_\_\_\_], 2003:



NOVATEL WIRELESS, INC.

SERIES A CONVERTIBLE PREFERRED STOCK

RESOLVED, that pursuant to the authority vested in the Board of Directors of the Corporation by Article IV of the Corporation's Amended and Restated Certificate of Incorporation, a series of Preferred Stock of the Corporation be, and it hereby is, created out of the authorized but unissued shares of the capital stock of the Corporation, such series to be designated Series A Preferred Stock (the "Series A Preferred Stock"), to consist of 3,700 shares, par value \$.001 per share, of which the preferences and relative and other rights, and the qualifications, limitations or restrictions thereof, shall be (in addition to those set forth in the Corporation's Amended and Restated Certificate of Incorporation) as follows:

SECTION 1. DIVIDENDS. The holders of Series A Preferred Stock shall be entitled to receive, from funds legally available therefor, a cumulative dividend at the rate per annum of 6.5% of the purchase price paid per share of Series A Preferred Stock held by such holder, payable, subject to any applicable contractual restrictions, upon any liquidation, dissolution or winding up of the affairs of the Corporation, as described in Section 2, upon any redemption described in Section 5, or otherwise quarterly in arrears when and as declared by the Board of Directors each January 1, April 1, July 1 and October 1 of the applicable year. Notwithstanding the foregoing, no dividends shall be declared, or paid to the holders of the Series A Preferred Stock (other than in-kind in connection with the conversion of the Series A Preferred Stock pursuant to Section 3 hereof) or any series of preferred stock having dividend rights *pari passu* with those of the Series A Preferred Stock, unless the holders of Series B Preferred Stock and any other series of preferred stock created after the date hereof having preferential dividend and liquidation rights *vis-a-vis* the Series A Preferred Stock (such Series B Preferred Stock and any other series of Preferred Stock with such preferential rights, the "Senior Preferred Stock") shall have been paid in full all of the dividends to which they are entitled. No dividends shall be declared, or paid to the holders of common stock, par value \$.001 per share, of the Corporation (the "Common Stock"), unless the holders of Series A Preferred Stock and any other series of preferred stock having dividend and liquidation rights *pari passu* with those of the Series A Preferred Stock ("Pari Passu Preferred Stock") have been paid in full all of the dividends to which they are entitled. The Series A Preferred Stock shall also participate in any dividend or distribution, other than a liquidating distribution, declared or paid on the Common Stock, *pro rata*, on the basis of the number of shares of Common Stock (as determined on an *as-converted* basis for the Series A Preferred Stock) into which such Series A Preferred Stock is then convertible.

Subject to this Section 1, dividends may be declared and paid on Common Stock from funds lawfully available therefor as and when determined by the Board of Directors of the Corporation.

SECTION 2. LIQUIDATION RIGHTS.

(a) In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, the holders of each share of Series A Preferred Stock shall be entitled to be paid out of the assets of the Corporation available for distribution to

holders of the Corporation's capital stock of all classes, after satisfaction of all preferential liquidation rights of the Senior Preferred Stock, and subject to the rights of any Pari Passu Preferred Stock, an amount equal to \$1,000 per share of Series A Preferred Stock (the "Liquidation Preference"), plus all dividends accrued but unpaid thereon, to and including the date full payment shall be tendered to the holders of the Series A Preferred Stock with respect to such liquidation, dissolution or winding up. Neither the consolidation or merger of the Corporation into or with another corporation or corporations, nor the sale, lease, transfer or conveyance of all or substantially all of the assets of the Corporation to another corporation or any other entity shall be deemed to be a liquidation, dissolution or winding up of the affairs of the Corporation within the meaning of this Section 2(a).

After payment in full of the Liquidation Preference to which the holders of the Series A Preferred Stock are entitled, such holders will not be entitled to any further participation in the distribution of assets of the Corporation.

Upon conversion of shares of Series A Preferred Stock into shares of Common Stock pursuant to Section 3, the holders of such Common Stock shall not be entitled to any preferential payment or distribution in case of any liquidation, dissolution or winding up, but shall share ratably in any distribution of the assets of the Corporation among the holders of Common Stock.

(b) Distributions Other than Cash. Whenever the distributions provided for in this Section 2 shall be payable in property other than cash, the value of such distributions shall be the fair market value of such property as determined in good faith by the Board of Directors of the Corporation.

(c) Notice. Written notice of any proposed liquidation, dissolution or winding up of the affairs of the Corporation, stating a payment date, the amount of the Liquidation Preference and the place where such Liquidation Preference shall be payable, shall be delivered to the holders of Series A Preferred Stock not less than 45 days prior to the proposed date of such proposed liquidation, dissolution or winding up.

SECTION 3. CONVERSION. The holders of Series A Preferred Stock shall have conversion rights as follows (the "Conversion Rights"):

(a) Optional Conversion: Series A Conversion Price. Subject to Section 3(b), each share of Series A Preferred Stock shall be convertible, without the payment of any additional consideration by the holder thereof and at the option of the holder thereof, at any time after the date such share was issued, at the office of the Corporation or any transfer agent for the Series A Preferred Stock, into such number of fully paid and nonassessable shares of Common Stock as is determined by dividing the Liquidation Preference plus an amount equal to all accrued and unpaid dividends by the Series A Conversion Price, determined as hereinafter provided, in effect at the time of conversion. From and after the date of filing of this Amended and Restated Certificate of Designation ("Filing Date"), the conversion price at which shares of Common Stock shall be deliverable upon conversion of Series A Preferred Stock without the payment of any additional consideration by the holder thereof (the "Series A Conversion Price") shall initially be \$11.55 per share of Common Stock. Such Series A Conversion Price shall be subject

to further adjustment, in order to adjust the number of shares of Common Stock into which the Series A Preferred Stock is convertible, as hereinafter provided.

(b) Mechanics of Optional Conversion. Before any holder of Series A Preferred Stock shall be entitled to convert the same into shares of Common Stock, the holder shall surrender the certificate or certificates therefor at the office of the Corporation or of any transfer agent for Series A Preferred Stock, shall give written notice to the Corporation at such office that the holder elects to convert the same and shall state therein the holder's name or the name or, subject to any legal or contractual restrictions on transfer thereof, names of the holder's nominees in which the holder wishes the certificate or certificates for shares of Common Stock to be issued and shall pay any transfer or similar tax, if required. The date on which the holder satisfies all these requirements is the "Conversion Date". On the Conversion Date, all rights with respect to the Series A Preferred Stock so converted shall terminate, except for any of the rights of the holder thereof, upon surrender of the holder's certificate or certificates therefor, to receive certificates for the number of shares of Common Stock into which such Series A Preferred Stock has been converted. If so required by the Corporation, certificates surrendered for conversion shall be endorsed or accompanied by written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or by the holder's attorney duly authorized in writing. No fractional share of Common Stock shall be issued upon the conversion of Series A Preferred Stock. In lieu of any fractional share to which the holder would otherwise be entitled, the Corporation shall pay cash equal to such fraction multiplied by the applicable Series A Conversion Price then in effect. Within five business days after the Conversion Date, the Corporation shall issue and deliver to such holder of Series A Preferred Stock, or, subject to any legal or contractual restrictions on transfer thereof, to the holder's nominee or nominees, a certificate or certificates for the number of shares of Common Stock to which the holder shall be entitled as aforesaid. The person or persons entitled to receive the shares of Common Stock issuable upon conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock on the Conversion Date. Notwithstanding anything to the contrary contained in Sections 3(a) and 3(b), the holder of any shares of Series A Preferred Stock which are selected for redemption by the Corporation in accordance with Section 5 shall not be entitled to convert such shares into Common Stock unless the Conversion Date with respect to such shares is at least two business days prior to the Redemption Date (as defined below).

(c) Adjustments to the Conversion Price.

(i) Special Definition. For purposes of this Section 3(c), the following definition shall apply:

(1) "Additional Shares of Common Stock" shall mean all shares of Common Stock issued by the Corporation after the Filing Date by reason of stock dividends, distributions payable in common stock, stock splits, reverse stock splits, recapitalizations, reclassifications, combinations or exchanges of shares, separations, reorganizations, liquidations or other similar event, other than:

(a) securities issued or issuable as a dividend or distribution on the Series A Preferred Stock;

(b) any securities issued or issuable as a result of an adjustment of the Series A Conversion Price made pursuant to this Section 3(c);

(c) any shares of capital stock of the Corporation, not to exceed one-half of one percent of the total issued and outstanding capital stock of the Corporation on an "as converted to Common Stock" basis, the issuance of which is approved by vote of a majority of the Board of Directors of the Corporation, including the affirmative vote of a majority of the directors designated for election by the holders of the Series A Preferred Stock; and

(d) not more than ten shares of capital stock of the Corporation on an "as converted to Common Stock" basis, the issuance of which resulted from mathematical or other error or inadvertence, provided that the transaction in which such shares were issued was approved at the time by vote of a majority of the Board of Directors of the Corporation, including the affirmative vote of a majority of the directors designated for election by the holders of the Series A Preferred Stock.

(ii) Adjustment of the Series A Conversion Price for Dividends, Distributions, Subdivisions, Combinations or Consolidations of Common Stock.

(1) Stock Dividends, Distributions or Subdivisions. In the event the Corporation shall be deemed to have issued Additional Shares of Common Stock in a stock dividend, stock distribution or subdivision, the Series A Conversion Price and the number of shares of Common Stock issuable upon conversion of each share of Series A Preferred Stock in effect immediately prior to such deemed issuance shall, concurrently with the effectiveness of such deemed issuance, be proportionately decreased or increased, as appropriate.

(2) Combinations or Consolidations. In the event the outstanding shares of Common Stock shall be combined, consolidated or otherwise changed, by recapitalizations, reclassifications, stock splits, reverse stock splits, exchanges of shares, separations, reorganizations, liquidations or otherwise, the Series A Conversion Price and the number of shares of Common Stock issuable upon conversion of each share of Series A Preferred Stock in effect immediately prior to any such combination, consolidation or other event shall, concurrently with the effectiveness of such event, be proportionately decreased or increased, as appropriate.

(d) Adjustments for Certain Dividends and Distributions. In the event that at any time or from time to time after the Filing Date, the Corporation shall make or issue, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in securities of the Corporation other than shares of Common Stock, then and in each such event provision shall be made so that the holders of Series A Preferred Stock shall receive upon conversion thereof, in addition to the number of shares of Common Stock receivable thereupon, the amount of securities of the Corporation that they would have received had their Series A Preferred Stock been converted into Common Stock on the date of such event and had they thereafter, during the period from the date of such event to and including the actual conversion date, retained such securities receivable by them as aforesaid during such period, giving application during such period to all adjustments called for herein.

(e) Adjustment for Reclassification, Exchange or Substitution. In the event that at any time or from time to time after the Filing Date, the Common Stock issuable upon the conversion of Series A Preferred Stock shall be changed into the same or a different number of shares of any class or classes of stock, whether by capital reorganization, reclassification, or otherwise (other than a subdivision or combination of shares or stock dividend provided for in Section 3(c)(ii) above, or a merger, consolidation, or sale of assets provided for in Section 3(f) below) then and in each such event the holder of any share or shares of Series A Preferred Stock shall have the right thereafter to convert such shares into the kind and amount of shares of stock and other securities and property receivable upon such reorganization, reclassification, or other change, by the holder of a number of shares of Series A Preferred Stock might have been converted immediately prior to such reorganization, reclassification, or change, all subject to further adjustment as provided herein.

(f) Adjustment for Merger, Consolidation or Sale of Assets. In the event that at any time or from time to time after the Filing Date, the Corporation shall sell all or substantially all of its assets or merge or consolidate with or into another entity, each share of Series A Preferred Stock shall thereafter be convertible into the kind and amount of shares of stock or other securities or property to which a holder of the number of shares of Common Stock of the Corporation deliverable upon conversion of Series A Preferred Stock would have been entitled to receive upon such consolidation, merger or sale; and, in such case, appropriate adjustment (as determined in good faith by the Board of Directors) shall be made in the application of the provisions set forth in this Section 3 with respect to the rights and interest thereafter of the holders of Series A Preferred Stock, to the end that the provisions set forth in this Section 3 (including provisions with respect to changes in and other adjustments of the Series A Conversion Price) shall thereafter be applicable, as nearly as reasonably may be, in relation to any shares of stock or other property thereafter deliverable upon the conversion of the Series A Preferred Stock.

(g) No Impairment. The Corporation shall not, by amendment of its Certificate of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, including, without limitation, voluntary bankruptcy proceedings, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Corporation but shall at all times in good faith assist in the carrying out of all the provisions of this Section 3 and in the taking of all such actions as may be necessary or appropriate in order to protect the conversion rights of the holders of the Series A Preferred Stock under this Section 3 against impairment.

(h) Certificate as to Adjustment. Upon the occurrence of each adjustment or readjustment of the Series A Conversion Price pursuant to this Section 3, the Corporation at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to each affected holder of Series A Preferred Stock a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment is based; provided, however, that the Corporation shall not be required to provide each holder with such a certificate more than one time per calendar quarter. The Corporation shall, upon the written request at any time of any affected holder of Series A Preferred Stock, furnish or cause to be furnished to such holder a like certificate setting forth (i) such adjustments and readjustments, (ii) the Series A Conversion Price in effect at the time, and (iii) the number of shares of Common

Stock and the amount, if any, of other property which at the time would be received upon the conversion of each share of Series A Preferred Stock.

(i) Notices of Record Date. In the event of any taking by the Corporation of a record date of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend (other than a cash dividend which is the same as cash dividends paid in previous quarters) or other distribution, the Corporation shall deliver to each holder of Series A Preferred Stock at least twenty days prior to such record date a notice specifying the date on which any such record is to be taken for the purpose of such dividend or distribution.

(j) Common Stock Reserve. The Corporation shall reserve and keep available out of its authorized but unissued Common Stock such number of shares of Common Stock as shall from time to time be sufficient to effect conversion of the Series A Preferred Stock.

(k) Certain Taxes. The Corporation shall pay any issue or transfer taxes payable in connection with the conversion of Series A Preferred Stock, provided, however, that the Corporation shall not be required to pay any tax which may be payable in respect of any transfer to a name other than that of the holder of the Series A Preferred Stock.

(l) Closing of Books. The Corporation shall at no time close its transfer books against the transfer of any Series A Preferred Stock or of any shares of Common Stock issued or issuable upon the conversion of any shares of Series A Preferred Stock in any manner which interferes with the timely conversion or permitted transfer of such Series A Preferred Stock or Common Stock.

#### SECTION 4. VOTING RIGHTS.

(a) Except as otherwise provided herein or as required by law, the holders of the Series A Preferred Stock shall be entitled to notice of any meeting of stockholders and shall vote upon any matter submitted to the stockholders for a vote as a single class together with the holders of the Common Stock, Series B Preferred Stock and any other series of preferred stock entitled to vote generally on matters presented to the stockholders for a vote. Holders of Series A Preferred Stock shall have that number of votes per share as is equal to the number of whole shares of Common Stock into which each such share of Series A Preferred Stock held by such holder could be converted on the date for determination of stockholders entitled to vote at the meeting or on the date of any written consent.

(b) Notwithstanding any other provision of this Section 4, in the event that it is determined by Nasdaq (after full process, including any appeal process available to the Corporation) that the voting provisions set forth in this Section 4 violate or conflict with Nasdaq Marketplace Rule 4351, the number of votes to which each share of Series A Preferred Stock is entitled shall be reduced to the extent required to comply with such rule.

(c) Except as required by law, (i) the holders of the Series A Preferred Stock shall not be entitled to vote as a separate class upon any matter submitted to the stockholders for a vote, and (ii) the holders of the Series A Preferred Stock shall have no right to vote with respect to the

creation or issuance of a series of preferred stock having rights, preferences and privileges pari passu with, or senior to those of the Series A Preferred Stock.

SECTION 5. REDEMPTION.

(a) Redemption at Option of the Holder.

(i) On or at any time following a Change of Control (as defined below), each holder of Series A Preferred Stock may elect to have the Corporation redeem from it, to the extent the Corporation has funds legally available for such purpose, and subject to Section 5(a)(iii), any or all shares of Series A Preferred Stock held by such holder; provided, however, if a Change of Control occurs as a result of the acquisition by a holder of Series A Preferred Stock or such holder's "affiliates" (as such term is defined in Rule 405 under the Securities Act of 1933, as amended) of beneficial ownership of securities of the Corporation representing more than 50% of the voting power of the Corporation (whether such acquisition is made by such holder or such holder's affiliates, individually or as a member of a "group" (as described in Rule 13d-5(b)(1) promulgated under the Securities Exchange Act of 1934)), such holder shall not be entitled, as a result of such Change of Control, to require the Corporation to redeem its Series A Preferred Stock pursuant to this Section 5(a). Such election may be made only by delivering to the Corporation (x) a written notice signed by such holder specifying the number of shares of Series A Preferred Stock so to be redeemed, and (y) certificates for the shares of the Series A Preferred Stock so to be redeemed, together with stock powers therefor duly executed by such holder in blank (such written election, certificates and stock powers being referred to collectively as "Redemption Notice").

(ii) The Corporation shall redeem from holders of Series A Preferred Stock from whom the Corporation received a Redemption Notice, within 30 days of its receipt of such Redemption Notice, all the shares of the Series A Preferred Stock as to which Redemption Notices have been given, to the extent the Corporation has funds legally available for such purpose, and subject to Section 5(a)(iii), by paying to the respective holders the amount equal to (x) the number of shares of Series A Preferred Stock submitted for redemption multiplied by (y)(i) the Liquidation Preference, plus (ii) all accrued but unpaid dividends thereon to and including the date of such redemption, whether or not declared.

(iii) Notwithstanding anything to the contrary in this Section 5, (x) in no event shall the Corporation redeem any share of Series A Preferred Stock pursuant to Section 5(a) unless and until (x) a number of shares of Series B Preferred Stock equal to or greater than 80% of the sum of the total number of shares of Series B Preferred Stock (1) issued upon conversion of the Tranche I Notes (as defined in that certain Securities Purchase Agreement, dated as of March [ ], 2003, by and between the Corporation and certain purchasers ("Securities Purchase Agreement")), and (2) issued and, as of the date of such Change of Control, issuable under the Sanmina Notes (as defined in the Securities Purchase Agreement), and (3) without duplication, any other shares of Series B Preferred Stock issued in connection with the Third Closing (as defined in the Securities Purchase Agreement) and any other shares of Series B Preferred Stock issued on the Series B Original Issue Date (as defined in the Certificate of Designation of Series B Convertible Preferred Stock (the "Series B Certificate")), have been either (1) redeemed, (2) submitted for redemption pursuant to a redemption notice under Section

5 of the Series B Certificate and/or (3) converted into Common Stock pursuant to Section 3 of the Series B Certificate, and (y) the Corporation has actually redeemed all shares of Series B Preferred Stock as to which a redemption notice has been submitted to the Corporation. In addition, notwithstanding anything to the contrary in this Section 5, any redemption of the Series A Preferred Stock pursuant to this Section 5(a) shall be subject to the redemption rights of any Pari Passu Preferred Stock. In addition, if the funds of the Corporation legally available for redemption of shares of Series A Preferred Stock are insufficient to redeem the total number of shares of Series A Preferred Stock submitted for redemption pursuant to Redemption Notices, those funds which are legally available will be used to redeem (subject to the rights of any Pari Passu Preferred Stock) the maximum possible number of whole shares ratably among the holders of such shares who have submitted Redemption Notices as of such date of determination. Any shares of Series A Preferred Stock not redeemed as described in this Section 5(a)(iii) shall remain outstanding and, notwithstanding anything herein to the contrary, shall remain entitled to all rights and preferences otherwise provided herein.

(b) Redemption at the Option of the Corporation.

(i) The Corporation may redeem at any time, in whole or in part, the Series A Preferred Stock at a redemption price per share equal to the Liquidation Preference plus all accrued and unpaid dividends through the Redemption Date (the "Redemption Price"); provided, however, in no event shall the Corporation redeem any shares of Series A Preferred Stock while any shares of Senior Preferred Stock are outstanding. Any redemption effected pursuant to this Section (5)(b)(i) shall be made on a pro rata basis among the holders of the Series A Preferred Stock in proportion to the number of shares of Series A Preferred Stock then held by them.

(ii) The Corporation shall provide written notice (the "Corporation Notice") by first class mail postage prepaid, to each holder of record (determined at the close of business on the business day next preceding the day on which the Corporation Notice is given) of the Series A Preferred Stock to be redeemed, at the address last shown on the records of this Corporation for such holder, notifying such holder of the redemption to be effected, specifying the number of shares to be redeemed from such holder, specifying the date of redemption (the "Redemption Date"), the Redemption Price, the place at which payment may be obtained and calling upon such holder to surrender to the Corporation, in the manner and at the place designated, his, her or its certificate or certificates representing the shares to be redeemed; provided that the Redemption Date shall be not less than 10 days from the date of the Corporation Notice. Except as provided in Section (5)(b)(iii), on or after the Redemption Date, each holder of Series A Preferred Stock to be redeemed shall surrender to the Corporation the certificate or certificates representing such shares, in the manner and at the place designated in the Corporation Notice, and thereupon the Redemption Price of such shares shall be payable to the order of the person whose name appears on such certificate or certificates as the owner thereof and each surrendered certificate shall be cancelled. In the event less than all the shares represented by any such certificate are redeemed, a new certificate shall be issued representing the unredeemed shares.

(iii) From and after the Redemption Date, unless there shall have been a default in payment of the Redemption Price, all rights of the holders of shares of Series A



Preferred Stock designated for redemption in the Corporation Notice as holders of Series A Preferred Stock (except the right to receive the Redemption Price without interest upon surrender of their certificate or certificates) shall cease with respect to such shares, and such shares shall not thereafter be transferred on the books of the Corporation or be deemed to be outstanding for any purpose whatsoever. If the funds of the Corporation legally available for redemption of shares of Series A Preferred Stock on any Redemption Date are insufficient to redeem the total number of shares of Series A Preferred Stock to be redeemed on such date, those funds which are legally available will be used to redeem the maximum possible number of such shares ratably among the holders of such shares to be redeemed based upon their holdings of Series A Preferred Stock. The shares of Series A Preferred Stock not redeemed shall remain outstanding and entitled to all the rights and preferences provided herein. At any time thereafter when additional funds of the Corporation are legally available for the redemption of shares of Series A Preferred Stock, such funds will immediately be used to redeem the balance of the shares which the Corporation has become obliged to redeem on any Redemption Date but which it has not redeemed.

(iv) "Change of Control" shall mean: (i) the acquisition by any person or "group" (as described in Rule 13d-5(b)(1) promulgated under the Securities Exchange Act of 1934), of beneficial ownership of securities of the Corporation representing more than 50% of the voting power of the Corporation; or (ii) a merger or consolidation of the Corporation or a sale of all or substantially all of the assets of the Corporation in one or a series of related transactions, unless following such transaction or series of transactions, the holders of the Corporation's securities prior to the first such transaction continue to hold at least a majority of the voting power of the surviving entity or acquirer of such assets. Notwithstanding anything to the contrary herein, in no event shall the transactions consummated pursuant to the Securities Purchase Agreement (including without limitation, the issuance of secured convertible notes, the issuance of warrants and the issuance of Series B Preferred Stock and the subsequent exercise of warrants or conversion of convertible notes or Series B Preferred Stock) constitute a "Change of Control" for purposes of this Section 5.

SECTION 6. NOTICES. All notices, requests, consents, demands and other communications required or permitted under this Amended and Restated Series A Preferred Stock Certificate of Designation 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 6, (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 to the Corporation at its principal executive office, or at such other address of which the Corporation may notify the holders of Series A Preferred Stock from time to time, or if to a holder of Series A Preferred Stock or Common Stock, to such holder's address as shown by the records of the Corporation.

SECTION 7. STATUS OF REACQUIRED SHARES. Shares of Series A Preferred Stock which have been issued and converted, redeemed or reacquired in any manner shall (upon compliance with any applicable provisions of the laws of the State of Delaware) have the status of authorized and unissued Preferred Stock undesignated as to series and may be redesignated and reissued.

FORM OF  
CERTIFICATE OF DESIGNATION  
SERIES B CONVERTIBLE PREFERRED STOCK  
OF  
NOVATEL WIRELESS, INC.

It is hereby certified that:

1. The name of the corporation is Novatel Wireless, Inc. (the "Corporation").
2. The Corporation was formed under the laws of the State of Delaware on April 26, 1996.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Designation this 12th day of March, 2003.

/s/ Peter V. Leparulo \_\_\_\_\_  
Peter Leparulo  
Chief Executive Officer

NOVATEL WIRELESS, INC.

SERIES B CONVERTIBLE PREFERRED STOCK

RESOLVED, that pursuant to the authority vested in the Board of Directors of the Corporation by Article IV of the Corporation's Amended and Restated Certificate of Incorporation, a series of Preferred Stock of the Corporation be, and it hereby is, created out of the authorized but unissued shares of the capital stock of the Corporation, such series to be designated Series B Preferred Stock (the "Series B Preferred Stock"), to consist of 10,000 shares, par value \$.001 per share, of which the preferences and relative and other rights, and the qualifications, limitations or restrictions thereof, shall be (in addition to those set forth in the Corporation's Amended and Restated Certificate of Incorporation) as follows:

SECTION 1. DIVIDENDS. The holders of Series B Preferred Stock shall be entitled to receive, from funds legally available therefor, a cumulative dividend at the rate per annum of 8% of \$1,000 per share of Series B Preferred Stock (such per share figure, which shall be adjusted to reflect appropriately any stock splits, combinations of the Series B Preferred Stock, and similar transactions, the "Initial Purchase Price") held by such holder, payable, subject to any applicable contractual restrictions, upon any liquidation, dissolution or winding up of the affairs of the Corporation, as described in Section 2, upon any redemption described in Section 5, or otherwise quarterly in arrears when and as declared by the Board of Directors each January 1, April 1, July 1 and October 1 of the applicable year. No dividends shall be declared, or paid to the holders of common stock, par value \$.001 per share, of the Corporation (the "Common Stock"), to the holders of the Series A Preferred Stock, par value \$0.001 per share, of the Corporation ("Series A Preferred Stock") or any holders of any series of Preferred Stock having dividend and liquidation rights junior to the Series B Preferred Stock (such Series A Preferred Stock and any such other series of junior Preferred Stock, "Junior Preferred Stock") (except for in-kind distributions in connection with the conversion of such Junior Preferred Stock into Common Stock), unless the holders of Series B Preferred Stock have been paid in full all of the dividends to which they are entitled. The Series B Preferred Stock shall also participate in any dividend or distribution, other than a liquidating distribution, declared or paid on the Common Stock, pro rata, on the basis of the number of shares of Common Stock (as determined on an as-converted basis for the Series B Preferred Stock) into which such Series B Preferred Stock is then convertible.

Subject to this Section 1, dividends may be declared and paid on Common Stock from funds lawfully available therefor as and when determined by the Board of Directors of the Corporation.

SECTION 2. LIQUIDATION RIGHTS.

(a) In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, the holders of each share of Series B Preferred Stock shall be entitled preferentially to be paid first out of the assets of the Corporation available for distribution to holders of the Corporation's capital stock of all classes an amount per share of Series B Preferred Stock equal to 150% times the sum of the Initial Purchase Price, plus all dividends accrued but unpaid thereon (the "Liquidation

Preference"), to and including the date full payment shall be tendered to the holders of the Series B Preferred Stock with respect to such liquidation, dissolution or winding up. Neither the consolidation or merger of the Corporation into or with another corporation or corporations, nor the sale, lease, transfer or conveyance of all or substantially all of the assets of the Corporation to another corporation or any other entity shall be deemed to be a liquidation, dissolution or winding up of the affairs of the Corporation within the meaning of this Section 2(a).

After payment in full of the Liquidation Preference to which the holders of the Series B Preferred Stock are entitled, distributions will be made to the holders of the Junior Preferred Stock until their respective liquidation preference has been paid in full.

After payment in full of the liquidation preference to which the holders of the Junior Preferred Stock are entitled, distributions will be made to the holders of the Series B Preferred Stock, any series of Junior Preferred Stock which participates with the Common Stock upon liquidation and the Common Stock, in proportion to the number of shares of Common Stock (including shares of Common Stock issuable upon conversion of the Series B Preferred Stock and, as applicable, any such shares of Junior Preferred Stock) held by each such holder.

Upon conversion of shares of Series B Preferred Stock into shares of Common Stock pursuant to Section 3, the holders of such Common Stock shall not be entitled to any preferential payment or distribution in case of any liquidation, dissolution or winding up, but shall share ratably in any distribution of the assets of the Corporation among the holders of Common Stock.

(b) DISTRIBUTIONS OTHER THAN CASH. Whenever the distributions provided for in this Section 2 shall be payable in property other than cash, the value of such distributions shall be determined as follows: If the assets distributed are securities traded in a public market, the fair market value of such assets shall be the closing price of such securities reported for the business day immediately before such assets are distributed. If such assets are not traded in a public market, the Board of Directors of the Corporation shall initially determine fair market value in its reasonable good faith judgment. At the time of any such distribution, the Corporation shall provide the holders of the Series B Preferred Stock with written notice (within 10 days after the date of such distribution) of its fair market value determination. If the holders of a majority of the outstanding shares of Series B Preferred Stock ("Majority Holders") deliver written notice, within 30 days following the delivery of the Corporation's written notice, objecting to such determination, the fair market value of the assets distributed shall be determined pursuant to the Appraisal Procedure (as described in Section 3(c)(iii)(6) below), which determination shall be binding on the holders of the Series B Preferred Stock and the Corporation.

(c) NOTICE. Written notice of any proposed liquidation, dissolution or winding up of the affairs of the Corporation, stating a payment date, the amount of the Liquidation Preference and the place where such Liquidation Preference shall be payable, shall be delivered to the holders of Series B Preferred Stock not less than 45 days prior to the proposed date of such proposed liquidation, dissolution or winding up.

SECTION 3.           CONVERSION. The holders of Series B Preferred Stock shall have conversion rights as follows (the "Conversion Rights"):

(a)           OPTIONAL CONVERSION: SERIES B CONVERSION PRICE. Subject to Section 3(b), each share of Series B Preferred Stock shall be convertible, without the payment of any additional consideration by the holder thereof and at the option of the holder thereof, at any time after the date such share was issued, at the office of the Corporation or any transfer agent for the Series B Preferred Stock, into such number of fully paid and nonassessable shares of Common Stock as is determined by dividing (i) the Initial Purchase Price plus an amount equal to all accrued and unpaid dividends by (ii) the Series B Conversion Price, determined as hereinafter provided, in effect at the time of conversion. The conversion price at which shares of Common Stock shall be deliverable upon conversion of Series B Preferred Stock without the payment of any additional consideration by the holder thereof (the "Series B Conversion Price") shall initially be \$0.70 per share of Common Stock. Such initial Series B Conversion Price shall be subject to further adjustment, in order to adjust the number of shares of Common Stock into which the Series B Preferred Stock is convertible, as hereinafter provided.

(b)           MECHANICS OF OPTIONAL CONVERSION. Before any holder of Series B Preferred Stock shall be entitled to convert the same into shares of Common Stock, the holder shall surrender the certificate or certificates therefor at the office of the Corporation or of any transfer agent for Series B Preferred Stock, shall give written notice to the Corporation at such office that the holder elects to convert the same and shall state therein the holder's name or the name or, subject to any legal or contractual restrictions on transfer thereof, names of the holder's nominees in which the holder wishes the certificate or certificates for shares of Common Stock to be issued and shall pay any transfer or similar tax, if required. The date on which the holder satisfies all these requirements is the "Conversion Date". On the Conversion Date, all rights with respect to the Series B Preferred Stock so converted shall terminate, except for any of the rights of the holder thereof, upon surrender of the holder's certificate or certificates therefor, to receive certificates for the number of shares of Common Stock into which such Series B Preferred Stock has been converted. If so required by the Corporation, certificates surrendered for conversion shall be endorsed or accompanied by written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or by the holder's attorney duly authorized in writing. No fractional share of Common Stock shall be issued upon the conversion of Series B Preferred Stock. In lieu of any fractional share to which the holder would otherwise be entitled, the Corporation shall pay cash equal to such fraction multiplied by the applicable Series B Conversion Price then in effect. Within five business days after the Conversion Date, the Corporation shall issue and deliver to such holder of Series B Preferred Stock, or, subject to any legal or contractual restrictions on transfer thereof, to the holder's nominee or nominees, a certificate or certificates for the number of shares of Common Stock to which the holder shall be entitled as aforesaid. The person or persons entitled to receive the shares of Common Stock issuable upon conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock on the Conversion Date.

(c) ADJUSTMENTS TO THE CONVERSION PRICE.

(i) SPECIAL PROVISIONS. For purposes of this Section 3(c), the following definitions shall apply:

(1) "Additional Shares of Common Stock" shall mean all shares of Common Stock issued by the Corporation (including those deemed to be issued pursuant to Section 3(c)(iii)(7)) after the first date on which a share of Series B Preferred Stock was issued (the "Series B Original Issue Date") for any reason, including without limitation as a result of sales of Common Stock or rights to acquire Common Stock, the issuance of Options, stock dividends, distributions payable in common stock, stock splits, reverse stock splits, recapitalizations, reclassifications, combinations or exchanges of shares, separations, reorganizations, liquidations or other similar event, other than:

(a) securities issued or issuable as a dividend or distribution on the Series B Preferred Stock;

(b) not more than ten shares of capital stock of the Corporation on an "as converted to common stock" basis, the issuance of which resulted from mathematical or other error or inadvertence, provided that the transaction in which such shares were issued was approved at the time by vote of a majority of the Board of Directors of the Corporation;

(c) the first 500,000 shares of Common Stock issued or issuable pursuant to Employee Equity Issuances after the Series B Original Issue Date (it being understood that the first such 500,000 shares shall not be subject to Section 3(c)(iii)(2), and any subsequent Employee Equity Issuances shall be subject to Section 3(c)(iii)(2); provided, further, such 500,000 share figure shall be appropriately adjusted to reflect transactions described in Section 3(c)(ii) and Sections 3(d), 3(e) and 3(f));

(d) securities issued or issuable as a dividend or distribution on the Series A Preferred Stock upon the conversion of the Series A Preferred Stock to Common Stock; and

(e) any securities issued or issuable as a result of an adjustment of the Series B Conversion Price made pursuant to this Section 3(c).

(2) "Convertible Securities" means any evidences of indebtedness, shares of stock, or other securities directly or indirectly convertible into or exchangeable for Common Stock or the value of which is otherwise derived from or based upon the value of the Common Stock.

(3) "Employee Equity Issuances" means the issuance of shares of Common Stock or Options to officers, directors or employees of, or consultants to, the Corporation pursuant to stock option or stock purchase plans or agreements on terms approved by the Board of Directors.

(4) "Option" means any right, option, or warrant to subscribe for, purchase, or otherwise acquire Common Stock or Convertible Securities.

(ii) ADJUSTMENT OF THE SERIES B CONVERSION PRICE FOR DIVIDENDS, DISTRIBUTIONS, SUBDIVISIONS, COMBINATIONS OR CONSOLIDATIONS OF COMMON STOCK.

(1) Stock Dividends, Distributions or Subdivisions. In the event the Corporation shall be deemed to have issued Additional Shares of Common Stock in a stock dividend, stock distribution or subdivision, the Series B Conversion Price and the number of shares of Common Stock issuable upon conversion of each share of Series B Preferred Stock in effect immediately prior to such deemed issuance shall, concurrently with the effectiveness of such deemed issuance, be proportionately decreased or increased, as appropriate.

(2) Combinations or Consolidations. In the event the outstanding shares of Common Stock shall be combined, consolidated or otherwise changed, by recapitalizations, reclassifications, stock splits, reverse stock splits, exchanges of shares, separations, reorganizations, liquidations or otherwise, the Series B Conversion Price and the number of shares of Common Stock issuable upon conversion of each share of Series B Preferred Stock in effect immediately prior to any such combination, consolidation or other event shall, concurrently with the effectiveness of such event, be proportionately decreased or increased, as appropriate.

(iii) ADJUSTMENT OF SERIES B PRICE CONVERSION PRICE FOR DILUTIVE ISSUANCES.

(1) Dilutive Issuances (other than due to Employee Equity Issuances). If the Corporation shall issue, after the Series B Original Issue Date, any Additional Shares of Common Stock (other than issuances pursuant to transactions described in Section 3(c)(ii) but expressly excluding any new issuances concurrent with such transactions) without consideration or for a consideration per share less than the Series B Conversion Price in effect immediately prior to the issuance of such Additional Shares of Common Stock, the Series B Conversion Price in effect immediately prior to each such issuance shall forthwith be adjusted to be equal to the amount of consideration per share received in connection with such issuance. Notwithstanding the foregoing, the provisions of this Section 3(c)(iii)(1) shall not apply to Additional Shares of Common Stock issued through an Employee Equity Issuance.

(2) Dilutive Issuances due to Employee Equity Issuances. If the Corporation shall issue, after the Series B Original Issue Date, any Additional Shares of Common Stock through an Employee Equity Issuance without consideration or for a consideration per share less than the Series B Conversion Price in effect immediately prior to the issuance of such Additional Shares of Common Stock, the Series B Conversion Price in effect immediately prior to each such issuance shall forthwith be adjusted to be equal to a price determined by multiplying the Series B Conversion Price then in effect by a fraction (which shall in no event be greater than one), the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such issuance plus the number of shares of Common Stock that the aggregate consideration received by the Corporation for such issuance would purchase at the Series B Conversion Price; and the denominator of which shall be the number of shares of Common Stock outstanding immediately prior to such issuance plus the number of shares of such Additional Shares of Common Stock. For

purposes of the foregoing computation, the number of shares of Common Stock outstanding shall be deemed to include all shares of Common Stock actually outstanding and all shares of Common Stock deemed to be outstanding as a result of the application of the rules set forth in subsection (c)(iii)(7).

(3) In the case of the issuance of Additional Shares of Common Stock for cash, the consideration shall be deemed to be the amount of cash paid therefor after deducting any reasonable discounts, commissions or other expenses allowed, paid or incurred by this Corporation for any underwriting or otherwise in connection with the issuance and sale thereof.

(4) In the case of the issuance of Additional Shares of Common Stock for a consideration in whole or in part other than cash, the consideration other than cash shall initially be deemed to be the fair value thereof as determined in good faith by the Board of Directors. The Corporation shall provide the holders of the Series B Preferred Stock with written notice of its fair market value determination pursuant to this Section 3(c)(iii)(4) within 30 days following such issuance of the Additional Shares of Common Stock. If the Majority Holders deliver to the Corporation, within 30 days following delivery of the Corporation's written notice, written notice of their objection to such determination, the fair market value shall be determined pursuant to the Appraisal Procedure set forth in Section 3(c)(iii)(6), which determination shall be binding on the holders of the Series B Preferred Stock and the Corporation.

(5) The consideration for Additional Shares of Common Stock issued together with other property of the Corporation for consideration that covers both shall be determined in good faith by the Board of Directors. The Corporation shall provide the holders of the Series B Preferred Stock with written notice of its fair market value determination pursuant to this Section 3(c)(iii)(5) within 30 days following such issuance of the Additional Shares of Common Stock. If the Majority Holders deliver to the Corporation, within 30 days following delivery of the Corporation's written notice, written notice of their objection to such determination, the fair market value shall be determined pursuant to the Appraisal Procedure set forth in Section 3(c)(iii)(6), which determination shall be binding on the holders of the Series B Preferred Stock and the Corporation.

(6) Appraisal Procedure. In the event of a challenge to the fair market value determinations of the Board of Directors pursuant to Section 2(b) or the amount of consideration determined pursuant to Section 3(c)(iii)(4) or Section 3(c)(iii)(5), the Corporation and the Majority Holders shall attempt to select an investment banking firm to resolve such dispute. In the event that the Corporation and the Majority Holders are unable to agree upon an investment banking firm, within 30 days following the delivery of the Holder's (or Majority Holders') written objection ("Objection Date"), the Corporation and the Majority Holders, within 45 days following the Objection Date, shall each select an investment banking firm with a national reputation and the two firms so selected shall agree upon a third investment banking firm, which shall resolve such dispute. The findings of the investment banking firm so selected shall be binding on the Corporation and the Majority Holders. The fees and costs of the investment banking firm selected shall be borne one-half by the Corporation and one-half by the Majority Holders challenging the valuation.



(7) In the case of the issuance of Options or Convertible Securities, the following provisions shall apply for all purposes of this Section 3(c)(iii):

(a) The aggregate maximum number of shares of Common Stock deliverable upon exercise (assuming the satisfaction of any conditions to exercisability, including without limitation, the passage of time, but without taking into account potential antidilution adjustments) of such Options (and, in the case of Options to acquire Convertible Securities, the maximum number of shares of Common Stock issuable upon conversion or exchange of such Convertible Securities) shall be deemed to have been issued at the time such Options were issued and for a consideration equal to the consideration (determined in the manner provided in subsections (c)(iii)(3), (c)(iii)(4) and (c)(iii)(5)), if any, received by the Corporation upon the issuance of such Options plus the minimum exercise price provided in such Options (without taking into account potential antidilution adjustments) for the Common Stock covered thereby (plus, in the case of Options to acquire Convertible Securities, the minimum additional consideration, if any, deliverable upon conversion or exchange of such Convertible Securities).

(b) The aggregate maximum number of shares of Common Stock deliverable upon conversion of or in exchange (assuming the satisfaction of any conditions to convertibility or exchangeability, including, without limitation, the passage of time, but without taking into account potential antidilution adjustments) for such Convertible Securities shall be deemed to have been issued at the time such Convertible Securities were issued and for a consideration equal to the consideration, if any, received by the Corporation for any such Convertible Securities (excluding any cash received on account of accrued interest or accrued dividends), plus the minimum additional consideration, if any, to be received by the Corporation (without taking into account potential antidilution adjustments) upon the conversion or exchange of such Convertible Securities (the consideration in each case to be determined in the manner provided in subsections (c)(iii)(3), (c)(iii)(4) and (c)(iii)(5)).

(c) If, following the issuance of Options or Convertible Securities and the determination of the impact of such issuance pursuant to subsection (c)(iii)(7)(a) or (c)(iii)(7)(b) above, there is any change in the number of shares of Common Stock deliverable or in the consideration payable to this Corporation upon exercise of such Options or upon conversion of or in exchange for such Convertible Securities, including, but not limited to, a change resulting from the antidilution provisions thereof, the Series B Conversion Price, to the extent in any way affected by or computed using such Options or Convertible Securities, shall be recomputed to reflect such change, but no further adjustment shall be made for the actual issuance of Common Stock or any payment of such consideration upon the exercise of any such Options or the conversion or exchange of such Convertible Securities.

(d) The number of shares of Common Stock deemed issued and the consideration deemed paid therefor pursuant to subsections (c)(iii)(7)(a) and (c)(iii)(7)(b) shall be appropriately adjusted to reflect any change of the type described in subsection (c)(iii)(7)(c).

(e) For purposes of Section 3, securities (including Options or Convertible Securities) shall be deemed to be issued on the earliest to occur of the grant, issuance, or sale of, or the fixing of a record date with respect to the distribution or issuance of, such securities.

(d) ADJUSTMENTS FOR CERTAIN DIVIDENDS AND DISTRIBUTIONS. In the event that at any time or from time to time after the Series B Original Issue Date, the Corporation shall make or issue, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in securities of the Corporation other than shares of Common Stock, then and in each such event provision shall be made so that the holders of Series B Preferred Stock shall receive upon conversion thereof, in addition to the number of shares of Common Stock receivable thereupon, the amount of securities of the Corporation that they would have received had their Series B Preferred Stock been converted into Common Stock on the date of such event and had they thereafter, during the period from the date of such event to and including the actual conversion date, retained such securities receivable by them as aforesaid during such period, giving application during such period to all adjustments called for herein.

(e) ADJUSTMENT FOR RECLASSIFICATION, EXCHANGE OR SUBSTITUTION. In the event that at any time or from time to time after the Series B Original Issue Date, the Common Stock issuable upon the conversion of Series B Preferred Stock shall be changed into the same or a different number of shares of any class or classes of stock, whether by capital reorganization, reclassification, or otherwise (other than a subdivision or combination of shares or stock dividend provided for in Section 3(c)(ii) above, or a merger, consolidation, or sale of assets provided for in Section 3(f) below) then and in each such event the holder of any share or shares of Series B Preferred Stock shall have the right thereafter to convert such shares into the kind and amount of shares of stock and other securities and property receivable upon such reorganization, reclassification, or other change, by the holder of a number of shares of Series B Preferred Stock might have been converted immediately prior to such reorganization, reclassification, or change, all subject to further adjustment as provided herein.

(f) ADJUSTMENT FOR MERGER, CONSOLIDATION OR SALE OF ASSETS. In the event that at any time or from time to time after the Series B Original Issue Date, the Corporation shall sell all or substantially all of its assets or merge or consolidate with or into another entity, each share of Series B Preferred Stock shall thereafter be convertible into the kind and amount of shares of stock or other securities or property to which a holder of the number of shares of Common Stock of the Corporation deliverable upon conversion of Series B Preferred Stock would have been entitled to receive upon such consolidation, merger or sale; and, in such case, appropriate adjustment (as determined in good faith by the Board of Directors) shall be made in the application of the provisions set forth in this Section 3 with respect to the rights and interest thereafter of the holders of Series B Preferred Stock, to the end that the provisions set forth in this Section 3 (including provisions with respect to changes in and other adjustments of the Series B Conversion Price) shall thereafter be applicable, as nearly as reasonably may be, in relation to any shares of stock or other property thereafter deliverable upon the conversion of the Series B Preferred Stock.

(g) NO IMPAIRMENT. The Corporation shall not, by amendment of its Certificate of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, including, without limitation, voluntary bankruptcy proceedings, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Corporation but shall at all times in good faith assist in the carrying out of all the provisions of this Section 3 and in the taking of all such actions as may be necessary or appropriate in order to protect the conversion rights of the holders of the Series B Preferred Stock under this Section 3 against impairment.

(h) CERTIFICATE AS TO ADJUSTMENT. Upon the occurrence of each adjustment or readjustment of the Series B Conversion Price pursuant to this Section 3, the Corporation at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to each affected holder of Series B Preferred Stock a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment is based; provided, however, that the Corporation shall not be required to provide each holder with such a certificate more than one time per calendar quarter. The Corporation shall, upon the written request at any time of any affected holder of Series B Preferred Stock, furnish or cause to be furnished to such holder a like certificate setting forth (i) such adjustments and readjustments, (ii) the Series B Conversion Price in effect at the time, and (iii) the number of shares of Common Stock and the amount, if any, of other property which at the time would be received upon the conversion of each share of Series B Preferred Stock.

(i) NOTICES OF RECORD DATE. In the event of any taking by the Corporation of a record date of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend (other than a cash dividend which is the same as cash dividends paid in previous quarters) or other distribution, the Corporation shall deliver to each holder of Series B Preferred Stock at least twenty days prior to such record date a notice specifying the date on which any such record is to be taken for the purpose of such dividend or distribution.

(j) COMMON STOCK RESERVE. The Corporation shall reserve and keep available out of its authorized but unissued Common Stock such number of shares of Common Stock as shall from time to time be sufficient to effect conversion of the Series B Preferred Stock.

(k) CERTAIN TAXES. The Corporation shall pay any issue or transfer taxes payable in connection with the conversion of Series B Preferred Stock, provided, however, that the Corporation shall not be required to pay any tax which may be payable in respect of any transfer to a name other than that of the holder of the Series B Preferred Stock.

(l) CLOSING OF BOOKS. The Corporation shall at no time close its transfer books against the transfer of any Series B Preferred Stock or of any shares of Common Stock issued or issuable upon the conversion of any shares of Series B Preferred Stock in any manner which interferes with the timely conversion or permitted transfer of such Series B Preferred Stock or Common Stock.

SECTION 4. VOTING RIGHTS.

(a) Except as otherwise provided herein or as required by law, the holders of the Series B Preferred Stock shall be entitled to notice of any meeting of stockholders and shall vote together with the holders of the Series A Preferred Stock and Common Stock as a single class upon any matter submitted to the stockholders for a vote. Holders of Series B Preferred Stock shall have that number of votes per share as is equal to the number of whole shares of Common Stock into which each such share of Series B Preferred Stock held by such holder could be converted on the date for determination of stockholders entitled to vote at the meeting or on the date of any written consent.

(b) Notwithstanding any other provision of this Section 4, in the event that it is determined by Nasdaq (after full process, including any appeal process available to the Corporation) that the voting provisions set forth in this Section 4 violate or conflict with Nasdaq Marketplace Rule 4351, the number of votes to which each share of Series B Preferred Stock is entitled shall be reduced to the extent required to comply with such rule.

SECTION 5. REDEMPTION.

(a) REDEMPTION AT OPTION OF THE HOLDER.

(i) On or at any time following the earliest of:

- (A) a Change of Control (as defined below); and
- (B) the seventh anniversary of the Series B Original Issue Date.

then each holder of Series B Preferred Stock may elect to have the Corporation redeem from it, to the extent the Corporation has funds legally available for such purpose, and subject to Section 5(a)(iii), any or all shares of Series B Preferred Stock held by such holder; provided, however, that if a Change of Control occurs as a result of the acquisition by a holder of Series B Preferred Stock or such holder's "affiliates" (as such term is defined in Rule 405 under the Securities Act of 1933, as amended) of beneficial ownership of securities of the Corporation representing more than 50% of the voting power of the Corporation (whether such acquisition is made by such holder or such holder's affiliates, individually or as a member of a "group" (as described in Rule 13d-5(b)(1) promulgated under the Securities Exchange Act of 1934)), such holder shall not be entitled, as a result of such Change of Control, to require the Corporation to redeem its or its affiliates Series B Preferred Stock pursuant to this Section 5(a). Such election may be made only by delivering to the Corporation (x) a written notice signed by such holder specifying the number of shares of Series B Preferred Stock so to be redeemed, and (y) certificates for the shares of the Series B Preferred Stock so to be redeemed, together with stock powers therefor duly executed by such holder in blank (such written election, certificates and stock powers being referred to collectively as "Redemption Notice").

(ii) The Corporation shall redeem from holders of Series B Preferred Stock from whom the Corporation received a Redemption Notice, within 30 days of its receipt of such Redemption Notice, all the shares of the Series B Preferred Stock as to which Redemption Notices have been given, to the extent the Corporation has funds legally

available for such purpose, and subject to Section 5(a)(iii), by paying to the respective holders the amount equal to (x) the number of shares of Series B Preferred Stock submitted for redemption multiplied by (y)(i) the Liquidation Preference, plus (ii) all accrued but unpaid dividends thereon to and including the date of such redemption, whether or not declared.

(iii) If the funds of the Corporation legally available for redemption of shares of Series B Preferred Stock are insufficient to redeem the total number of shares of Series B Preferred Stock submitted for redemption pursuant to Redemption Notices, those funds which are legally available will be used to redeem the maximum possible number of whole shares ratably among the holders of such shares who have submitted Redemption Notices as of such date of determination. The shares of Series B Preferred Stock not redeemed shall remain outstanding and, notwithstanding anything herein to the contrary, shall remain entitled to all rights and preferences otherwise provided herein.

(b) REDEMPTION AT THE OPTION OF THE CORPORATION.

(i) On or at any time following the seventh anniversary of the Series B Issue Date, the Corporation may redeem, in whole or in part, the Series B Preferred Stock at a redemption price per share equal to the Liquidation Preference as of the Redemption Date (the "Redemption Price"); provided, that the Corporation may not exercise such right of redemption unless: (i) the Registration Statement (as defined below) is effective, (ii) the average of the closing prices of the Common Stock as reported by The Nasdaq Stock Market over the twenty consecutive trading-day period ending not more than five business days prior to the date of the Corporation Notice (as defined below) is greater than or equal to the product of (x) the Series B Conversion Price in effect on the last day of such twenty consecutive trading-day period and (y) 2.50, and (iii) during the period beginning on the date of the Corporation Notice (as defined below) and ending on the Redemption Date (as defined below) (1) the Corporation shall not have received any request from the SEC or any other federal or state governmental authority for amendments or supplements to the Registration Statement or related prospectus or for additional information; (2) no stop order suspending the effectiveness of the Registration Statement or the initiation of any proceedings for that purpose shall have been issued by the SEC or any other federal or state governmental authority; (3) the Corporation shall not have received any notification with respect to the suspension of the qualification or exemption from qualification of the Common Stock for sale in any jurisdiction or the initiation of any proceeding for such purpose; and (4) there shall not have occurred any event or circumstance which would necessitate the making of any changes in the Registration Statement or related prospectus, or any document incorporated or deemed to be incorporated therein by reference, so that, in the case of the Registration Statement, it will not contain any untrue statement of a material fact or any omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and that in the case of the related prospectus, it will not contain any untrue statement of a material fact or any omission to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. Any redemption effected pursuant to this Section (5)(b)(i) shall be made on a pro rata basis among the holders of the Series B Preferred Stock in proportion to the number of shares of Series B Preferred Stock then held by them.

(ii) The Corporation shall provide written notice (the "Corporation Notice") by first class mail postage prepaid, to each holder of record (determined at the close of business on the business day next preceding the day on which the Corporation Notice is given) of the Series B Preferred Stock to be redeemed, at the address last shown on the records of this Corporation for such holder, notifying such holder of the redemption to be effected, specifying the number of shares to be redeemed from such holder, specifying the date of redemption (the "Redemption Date"), the Redemption Price, the place at which payment may be obtained and calling upon such holder to surrender to the Corporation, in the manner and at the place designated, his, her or its certificate or certificates representing the shares to be redeemed; provided that the Redemption Date shall be not less than 10 days from the date of the Corporation Notice. Except as provided in Section (5)(b)(iii), on or after the Redemption Date, each holder of Series B Preferred Stock to be redeemed shall surrender to the Corporation the certificate or certificates representing such shares, in the manner and at the place designated in the Corporation Notice, and thereupon the Redemption Price of such shares shall be payable to the order of the person whose name appears on such certificate or certificates as the owner thereof and each surrendered certificate shall be cancelled. In the event less than all the shares represented by any such certificate are redeemed, a new certificate shall be issued representing the unredeemed shares.

(iii) From and after the Redemption Date, unless there shall have been a default in payment of the Redemption Price, all rights of the holders of shares of Series B Preferred Stock designated for redemption in the Corporation Notice as holders of Series B Preferred Stock (except the right to receive the Redemption Price without interest upon surrender of their certificate or certificates) shall cease with respect to such shares, and such shares shall not thereafter be transferred on the books of the Corporation or be deemed to be outstanding for any purpose whatsoever. If the funds of the Corporation legally available for redemption of shares of Series B Preferred Stock on any Redemption Date are insufficient to redeem the total number of shares of Series B Preferred Stock to be redeemed on such date, those funds which are legally available will be used to redeem the maximum possible number of such shares ratably among the holders of such shares to be redeemed based upon their holdings of Series B Preferred Stock. The shares of Series B Preferred Stock not redeemed shall remain outstanding and entitled to all the rights and preferences provided herein. At any time thereafter when additional funds of the Corporation are legally available for the redemption of shares of Series B Preferred Stock, such funds will immediately be used to redeem the balance of the shares which the Corporation has become obliged to redeem on any Redemption Date but which it has not redeemed.

(c) DEFINITIONS.

(i) "Change of Control" shall mean: (i) the acquisition by any person or "group" (as described in Rule 13d-5(b)(1) promulgated under the Securities Exchange Act of 1934), of beneficial ownership of securities of the Corporation representing more than 50% of the voting power of the Corporation; or (ii) a merger or consolidation of the Corporation or a sale of all or substantially all of the assets of the Corporation in one or a series of related transactions, unless following such transaction or series of transactions, the holders of the Corporation's securities prior to the first such transaction continue to hold at least a majority of the voting power of the surviving entity or acquirer of such assets.

(ii) "Registration Effective Date" shall mean the first date on which the Registration Statement has been declared effective.

(iii) "Registration Statement" shall mean the Corporation's registration statement under the Securities Act of 1933, as amended, covering the registration of (a) the shares of Common Stock issuable upon conversion of the Series B Preferred Stock and (b) the shares of Common Stock issuable upon exercise of the Warrants (as defined).

(iv) "Warrants" shall mean, collectively, those Common Stock Purchase Warrants to purchase shares of Common Stock to be issued pursuant to the Securities Purchase Agreement by and among the Corporation and the other parties thereto.

(d) NO REDEMPTION OF JUNIOR PREFERRED STOCK. So long as any shares of Series B Preferred Stock are outstanding, the Corporation shall not redeem any shares of Junior Preferred Stock or any other shares of Preferred Stock that have liquidation or dividend rights that are subordinate to those of the Series B Preferred Stock; provided, however, the foregoing shall not prohibit the Corporation from redeeming shares of Series A Preferred Stock pursuant to Section 5(a) of the Certificate of Designation of Series A Convertible Preferred Stock as in effect on the Series B Original Issue Date (the "Series A Certificate") if (x) a number of shares of Series B Preferred Stock equal to or greater than 80% of the sum of the total number of shares of Series B Preferred Stock (1) issued upon conversion of the Tranche I Notes (as defined in that certain Securities Purchase Agreement, dated as of March 12, 2003, by and between the Corporation and certain purchasers ("Securities Purchase Agreement")), and (2) issued and, as of the date of such Change of Control, issuable under the Sanmina Notes (as defined in the Securities Purchase Agreement), and (3) without duplication, any other shares of Series B Preferred Stock issued in connection with the Third Closing (as defined in the Securities Purchase Agreement) and any other shares of Series B Preferred Stock issued on the Series B Original Issue Date, have been either (1) redeemed, (2) submitted for redemption pursuant to a redemption notice under Section 5 of this Certificate of Designation and/or (3) converted into Common Stock pursuant to Section 3 of this Certificate of Designation, and (y) the Corporation has actually redeemed all shares of Series B Preferred Stock as to which a redemption notice has been submitted to the Corporation.

SECTION 6. NOTICES. All notices, requests, consents, demands and other communications required or permitted under this Series B Preferred Stock Certificate of Designation 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 6, (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 to the Corporation at its principal executive office, or at such other address of which the Corporation may notify the holders of Series B Preferred Stock from time to time, or if to a holder of Series B Preferred Stock or Common Stock, to such holder's address as shown by the records of the Corporation.

SECTION 7. STATUS OF REACQUIRED SHARES. Shares of Series B Preferred Stock which have been issued and converted, redeemed or reacquired in any manner shall (upon compliance with any applicable provisions of the laws of the State of Delaware) have the status of authorized and unissued Preferred Stock undesignated as to Series and may be redesignated and reissued.

SECTION 8. ISSUANCE OF ADDITIONAL SHARES OF SERIES B. Except as required under the Securities Purchase Agreement, the Company may not issue shares of the Series B Preferred Stock without the consent of a majority of the shares of Series B Preferred Stock then outstanding.



FORM OF  
REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT (this "Agreement") is entered into this 12th day of March, 2003, by and between NOVATEL WIRELESS, INC., a Delaware corporation (the "Company"), and the purchasers listed on the signature pages hereto (the "Purchasers" and, collectively with the Company, the "Parties").

PRELIMINARY STATEMENTS

In connection with the consummation of the transactions contemplated by that certain Securities Purchase Agreement (the "Purchase Agreement"), dated as of March 12, 2003, between the Purchasers and the Company, the Company has agreed to issue and sell to the Purchasers, (i) a secured convertible preferred promissory note (the "Convertible Note"), convertible into shares of the Series B Preferred Stock, which Series B Preferred Stock is convertible into shares of Common Stock; (ii) additional shares of the Company's Series B Preferred Stock; and (iii) certain warrants to purchase shares of the Company's Common Stock (the "Warrants").

The obligations of the Purchasers to purchase the Convertible Note, the Third Issuance Shares and the Warrants pursuant to the Purchase Agreement are conditioned upon, among other things, the Parties' execution of this Agreement, pursuant to which the Purchasers will be entitled to certain registration rights with respect to the Common Stock issuable upon conversion of the Series B Preferred Stock and the exercise of the Warrants.

NOW, THEREFORE, in consideration of the premises and of the mutual agreement and covenants hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Certain Definitions.

1.1 Terms Defined in this Section. For purposes of this Agreement, the following terms have the following meanings:

"Business Day" means any day other than a Saturday, Sunday, or other day on which commercial banking institutions in New York, New York are required or authorized by law to remain closed.

"Company Indemnified Parties" means the Company, its officers, directors, employees, and agents, and each Person, if any, who controls the Company within the meaning of either the Securities Act or the Exchange Act, and the officers, directors, employees, and agents of the foregoing parties.

"Common Stock" means the Company's common stock, par value \$0.001 per share, and any securities into or for which such securities are converted or exchanged by the Company.

"Exchange Act" means the Securities Exchange Act of 1934, or any successor federal statute, and the rules and regulations of the SEC promulgated thereunder, in each case as amended from time to time.

"Indemnified Party" means a Person claiming a right to indemnification pursuant to Section 6 of this Agreement.

"Indemnifying Party" means a Person required to provide indemnification pursuant to Section 6 of this Agreement.

"Losses" means any losses, claims, damages, or liabilities, and any related legal or other fees and expenses.

"Person" means any individual, corporation, partnership, limited partnership, limited liability partnership, limited liability company, trust, association, organization, or other entity.

"Prospectus" means the prospectus included in a Registration Statement as of the date it becomes effective under the Securities Act and, in the case of references to the Prospectus as of a date subsequent to the effective date of the Registration Statement, as amended or supplemented as of such date, including all documents incorporated by reference therein, each as amended, and each applicable prospectus supplement relating to the offering and sale of any of the Registrable Securities pursuant to such Registration Statement.

"Registrable Securities" means:

(i) Common Stock issued or issuable upon the conversion of the Series B Preferred Stock (including the Series B Preferred Stock issued upon conversion of the Convertible Note); or

(ii) Common Stock issued or issuable upon the exercise of the Warrants.

Securities that are Registrable Securities will cease to be Registrable Securities:

(i) when a registration statement with respect to the sale of such securities has become effective under the Securities Act and such securities have been disposed of in accordance with such registration statement,

(ii) when such securities shall have been sold pursuant to Rule 144 or Rule 145 (or any successor provisions) under the Securities Act or in any other transaction in which the applicable purchaser does not receive "restricted securities" (as that term is defined for purposes of Rule 144 under the Securities Act), or

(iii) when such securities cease to be outstanding.

"Registration Statement" means a registration statement (including the related Prospectus) of the Company under the Securities Act on any form selected by the Company for which the Company then qualifies and which permits the sale thereunder of the number and type of Registrable Securities (and any other securities of the Company) to be included therein in accordance with this Agreement by the applicable sellers in the manner described therein. The term "Registration Statement" shall also include all exhibits, financial statements, and schedules and all documents incorporated by reference in such Registration Statement when it becomes

effective under the Securities Act, and in the case of the references to the Registration Statement as of a date subsequent to the effective date, as amended or supplemented as of such date.

"SEC" means the Securities and Exchange Commission, or any other federal agency at the time administering the Securities Act or the Exchange Act.

"Securities Act" means the Securities Act of 1933, or any successor federal statute, and the rules and regulations of the SEC promulgated thereunder, in each case as amended from time to time.

"Selling Stockholder" means any Stockholder whose Registrable Securities are included at the request of such Stockholder in any Registration Statement pursuant to Section 2 or Section 3.

"Series B Preferred Stock" means the Company's Series B Convertible Preferred Stock, par value \$0.001 per share.

"Stockholder" means each Purchaser who has the right to acquire Registrable Securities and any other Person:

(i) to whom any Registrable Securities or any rights to acquire any Registrable Securities are transferred by any Person that was, immediately prior to such transfer, a Stockholder,

(ii) who continues to hold such Registrable Securities or the right to acquire such Registrable Securities,

(iii) to whom the transferring Stockholder has assigned any of its rights under this Agreement, in whole or in part, in accordance with the provisions of Section 8.6 of this Agreement with respect to such Registrable Securities, and

(iv) who has executed a counterpart hereof in connection with the transfer of such Registrable Securities.

"Stockholder Indemnified Parties" means each Selling Stockholder, its officers, directors, employees, and agents, each Person (if any) who controls such Selling Stockholder within the meaning of either the Securities Act or the Exchange Act, and the officers, directors, employees, and agents of the foregoing parties.

"Third-Party Demand Stockholder" means any Person having the right to require that the Company effect a registration under the Securities Act of securities owned by such Person, other than pursuant to this Agreement.

1.2 Terms Defined Elsewhere in this Agreement. For purposes of this Agreement, the following terms have the meanings set forth in the sections indicated:

Term	Section
- - - - -	- - - - -
Demand Notice	Section 2.2(a)
Demand Registration	Section 2.1

Term - - - - -	Section - - - - -
Demanding Stockholders	Section 2.2(a)
Incidental Registration	Section 3.1(a)
Initiating Stockholder	Section 2.2(a)
Material Event	Section 2.6(a)
Minimum Condition	Section 2.2(d)
Registration Expenses	Section 5.1

1.3 Terms Generally. The definitions in this Agreement shall apply equally to both the singular and plural forms of the terms defined. Whenever the context requires, any pronoun includes the corresponding masculine, feminine, and neuter forms. The words "include," "includes," and "including" are not limiting. Any reference in this Agreement to a "day" or number of "days" (without the explicit qualification of "Business") shall be interpreted as a reference to a calendar day or number of calendar days. If any action or notice is to be taken or given on or by a particular calendar day, and such calendar day is not a Business Day, then such action or notice shall be deferred until, or may be taken or given on, the next Business Day.

## 2. Demand Registration.

2.1 Demand Registration Rights. Each Stockholder shall have the right to require that the Company register under the Securities Act the offer or sale of all or a portion of the Registrable Securities held by such Stockholder on the terms and subject to the conditions and limitations set forth herein. The registration of Registrable Securities under the Securities Act in accordance with this Section 2 is referred to in this Agreement as a "Demand Registration." The Stockholders shall be entitled to four Demand Registrations in the aggregate.

### 2.2 Procedures for Demand Registrations.

(a) A Stockholder holding Registrable Securities may elect to initiate a Demand Registration pursuant to this Section 2 by furnishing the Company with a written notice (the "Demand Notice") specifying the number of Registrable Securities that such Stockholder desires to have registered, and such Stockholder's intended method or methods of distribution of all such Registrable Securities. The Stockholder delivering a notice pursuant to the preceding sentence is referred to as the "Initiating Stockholder." Within twenty (20) days of its receipt of the Demand Notice, the Company shall notify the Stockholders of its receipt of a Demand Notice. Each Stockholder may, within thirty (30) days of the Company's receipt of the Demand Notice, deliver a written notice to the Company specifying the number of shares that such Stockholder (each, together with the Initiating Stockholder, a "Demanding Stockholder") wishes to have registered, and such Stockholder's intended method or methods of distribution of such securities. If Stockholders holding Registrable Securities representing a majority of the outstanding Registrable Securities provide the Company with written notice that they desire that such Demand Registration not take place, the Company shall not be required to proceed with such Demand Registration and, irrespective of whether the Company proceeds with such registration, such registration shall not be deemed to have been a Demand Registration for purposes of the limitations on the number of Demand Registrations set forth in Section 2.1.

(b) If the number of Registrable Securities that the Demanding Stockholders desire to have registered (as specified in their notices pursuant to Section 2.2(a)) does not satisfy the Minimum Condition (as set forth in Section 2.2(d), below), then the Company will have no obligation to effect a Demand Registration in response to such notices pursuant to Section 2.2(a) (except as otherwise required in Section 2.4), but nothing herein will limit the rights of the Stockholders to require on a subsequent occasion that the Company effect a Demand Registration to which the Stockholders are entitled under Section 2.1.

(c) On the thirty-first (31st) day following its receipt of a Demand Notice, the Company will notify each Demanding Stockholder whether the number of Registrable Securities that the Stockholders desire to have registered (as specified in their notices pursuant to Section 2.2(a)) satisfies the Minimum Condition.

(d) The "Minimum Condition" means that the number of Registrable Securities that the Stockholders desire to have registered (as specified in their notices pursuant to Section 2.2(a)) have an aggregate market value on the date of the delivery of the Initiating Stockholder's notice pursuant to Section 2.2(a) (before any underwriting or brokerage discounts and commissions) of not less than seven hundred and fifty thousand dollars (\$750,000); or

(e) Following the effectiveness of a Registration Statement filed in connection with a Demand Registration, the Company will not be required to file a Registration Statement for a subsequent Demand Registration within four months after the date on which it received the Initiating Stockholder's notice pursuant to Section 2.2(a) for the immediately preceding Demand Registration.

(f) As soon as reasonably practicable after the Stockholders have notified the Company that they desire to have registered a number of Registrable Securities that satisfies the Minimum Condition, subject to Section 2.6(a) and Section 2.6(e), the Company will file with the SEC and use its reasonable best efforts to cause to become effective as promptly as practicable thereafter a Registration Statement that covers the Registrable Securities requested to be registered in the manner set forth above. Subject to the provisions of Section 2.3 below, each Registration Statement may also include securities to be sold for the account of the Company, for Stockholders who do not participate as Demanding Stockholders but who exercise their rights under Section 3 below, or for any stockholder of the Company not holding Registrable Securities.

2.3 Underwriters. One or more Demanding Stockholders owning more than 50% of the Registrable Securities to be included in a Demand Registration shall collectively have the right to select the lead book running managing underwriter for any underwritten public offering in connection with a Demand Registration, which lead managing underwriter shall be reasonably acceptable to the Company. Each Demanding Stockholder electing to participate in a Demand Registration involving an underwritten public offering shall, as a condition to the Company's obligation under this Section 2 to include such Demanding Stockholder's Registrable Securities in the Demand Registration, enter into and perform its obligations under an underwriting agreement or other similar arrangement in customary form with the lead underwriter of such offering.

2.4 Shelf Registration. One or more Demanding

Stockholders owning more than 50% of the Registrable Securities may elect to require that a Demand Registration be effected pursuant to a shelf registration under Rule 415 of the Securities Act; provided, however, that (a) notwithstanding any thing to the contrary herein, the Minimum Condition shall not apply; (b) the Company shall cause a registration statement with respect to the first such shelf registration to be filed within the (10) days following the Third Closing, (as defined in the Purchase Agreement); (c) during the time any such shelf registration is effective, the Company may require from time to time that the Selling Stockholders refrain from selling pursuant to such registration under the circumstances, in the manner, and for the time period described in Section 2.6; and (d) the Company will not be required under this Section 2.4 to effect more than two Demand Registrations as a shelf registration under Rule 415 of the Securities Act. The Company will use its reasonable best efforts to cause any Demand Registration effected as a shelf registration under Rule 415 of the Securities Act to remain effective for a period ending on the earlier of (i) the date that is a number of days after the effective date of the Registration Statement equal to 730 plus the number of days that the Selling Stockholders must refrain from selling pursuant to Section 2.6, and (ii) the date on which all Registrable Securities covered by the Registration Statement have been sold pursuant to the Demand Registration.

2.5 Limitation on Inclusion of Registrable Securities.

(a) If the book running managing underwriter of any underwritten public offering in connection with a Demand Registration determines in good faith that the aggregate number of Registrable Securities to be offered exceeds the number of shares that could be sold without having an adverse effect on such offering (including the price at which the Registrable Securities may be sold), then the number of Registrable Securities to be offered for the accounts of the Demanding Stockholders in such offering shall be reduced or limited, on a pro rata basis, based on the respective numbers of Registrable Securities requested to be included in such offering by all Demanding Stockholders, to the extent necessary to reduce the total number of shares to be included in such offering to the amount recommended by the book running managing underwriter; provided, however, that if such registration includes securities other than Registrable Securities of the Demanding Stockholders (whether for the account of the Company or for any stockholder of the Company not exercising rights under this Section 2), such reduction shall be made:

(i) first, from securities held by Persons who are not Stockholders and from securities being offered for the account of the Company, allocated between the Company and such other Persons as the Company may determine, subject to any agreements between the Company and such other Persons as in effect as of the date hereof;

(ii) second, from the number of Registrable Securities requested to be included in such offering by Stockholders pursuant to their rights under Section 3, on a pro rata basis, based on the number of Registrable Securities requested to be included in the registration by Stockholders pursuant to their rights under Section 3; and

(iii) last, from the number of Registrable Securities requested to be included in such offering by the Demanding Stockholders, on a pro rata basis, based on the

number of Registrable Securities requested to be included in the registration by the Demanding Stockholders.

(b) One or more Demanding Stockholders owning more than 50% of the Registrable Securities to be included in a requested Demand Registration may elect not to proceed with the registration if less than 75% of the Registrable Securities requested to be registered by each of the Demanding Stockholders are included in such registration. If Demanding Stockholders owning more than 50% of the Registrable Securities to be included in a requested Demand Registration elect not to proceed with the registration pursuant to this Section 2.5(b), the Registration Statement for such registration shall be promptly withdrawn, a Demand Registration shall not be deemed to have been effected for purposes of this Agreement (including the limitations on the number of Demand Registrations set forth in Section 2.1 above) and the Company shall bear the Registration Expenses in connection with such Registration Statement.

## 2.6 Delay of Filing or Sales.

(a) The Company shall have the right, exercisable by giving notice of the exercise of such right to the applicable Selling Stockholders, subject to Section 2.6(b), at any time and from time to time, to delay filing or the declaration of effectiveness of a Registration Statement or to require the applicable Selling Stockholders not to sell any Registrable Securities pursuant to an effective Registration Statement for a period not in excess of 120 days beginning on the date on which such notice is given, or such shorter period of time as may be specified in such notice or in a subsequent notice delivered by the Company to such effect prior to or during the effectiveness of the Registration Statement, if:

(i) the Company is engaged in discussions or negotiations with respect to, or there otherwise is pending, any merger, acquisition, or other form of business combination that is "probable" (within the meaning of the Securities Act), any divestiture, tender offer, financing, or other event that, in any such case, is material to the Company (any such activity or event, a "Material Event"),

(ii) such Material Event would, in the judgment of the Company's board of directors (after consultation with counsel), require disclosure so as to permit the Registrable Securities to be sold in compliance with law, and

(iii) disclosure of such Material Event would, in the judgment of the Company's board of directors (after consultation with counsel), be adverse to its interests.

(b) the Company may not delay the filing of a Registration Statement or the sale of any Registrable Securities, whether pursuant to one or more notices pursuant to Section 2.6(a), for more than an aggregate of 120 days within any 12-month period.

(c) If the Company postpones its obligations under this Agreement by reason of a Material Event as described in Section 2.6(a), any Selling Stockholder will have the right to withdraw its Registrable Securities from the applicable Demand Registration or Incidental Registration, by giving notice to the Company at any time following delivery of the Company's notice pursuant to Section 2.6(a).

(d) No Stockholder may deliver a notice pursuant to the first sentence of Section 2.2(a) during the period of any postponement pursuant to Section 2.6(a) until the Company notifies all Stockholders of the end of such Material Event or the expiration of the 120-day period described in Section 2.6(a).

(e) The Company shall have the right, exercisable by giving notice of the exercise of such right to the applicable Selling Stockholders, to delay filing or the declaration of effectiveness of a Registration Statement during any period in which, as a result of the Company's failure to satisfy the conditions in Rule 3-01(c) of Regulation S-X, the Company is required to include in the Registration Statement audited financial statements of the Company prior to the date on which such audited financial statements would normally have been prepared in accordance with the Company's past practices and the SEC's periodic reporting requirements.

## 2.7 Withdrawal.

(a) If (i) a Registration Statement filed pursuant to this Section 2 does not remain effective under the Securities Act for the period specified in Section 2.8(a) due to a stop order, injunction, or other order of the SEC or other governmental agency, and (ii) each of the Demanding Stockholders has not sold at least two-thirds of its Registrable Securities registered under such Registration Statement, then the Demanding Stockholders may elect to withdraw such Registration Statement by written notice to the Company; and, in such an event, such registration shall not be deemed to have been a Demand Registration for purposes of the limitations on the number of Demand Registrations contained in Section 2.1.

(b) Each Selling Stockholder may, no less than five (5) Business Days before any Registration Statement becomes effective, withdraw some or all of its Registrable Securities from inclusion in the Registration Statement. If such withdrawals result in the Minimum Condition not being satisfied, then the Company may withdraw such Registration Statement unless the remaining Demanding Stockholders agree to include additional Registrable Securities in the registration such that the Minimum Condition would be satisfied or agree to bear the Registration Expenses incurred by the Company in connection with such registration.

(c) If the Company withdraws a Registration Statement pursuant to Section 2.7(b), then the requested registration shall be deemed to have been a Demand Registration for purposes of the limitations on the number of Demand Registrations contained in Section 2.1 unless

(i) at the time of a Stockholder's withdrawal of Registrable Securities pursuant to Section 2.7(b), there has been a material adverse change in the operating results, financial condition, or business of the Company that was not publicly known at the time that the Minimum Condition was originally satisfied; or

(ii) The Company has postponed its obligations under this Agreement by reason of a Material Event as described in Section 2.6(a).



2.8 Effectiveness of Registration Statement.

(a) In connection with any Demand Registration pursuant to this Section 2, subject to Section 2.6, the Company will use its reasonable best efforts to prepare and file with the SEC any amendments and supplements to the Registration Statement and the Prospectus used in connection therewith, and to take any other actions, that may be necessary to keep the Registration Statement and the Prospectus effective, current, and in compliance with the provisions of the Securities Act, until the sooner to occur of (i) the sale of all of the Registrable Securities covered by such Registration Statement in accordance with the intended methods of distribution thereof or (ii) the 90th day following the effective date of such Registration Statement.

(b) A Demand Registration shall not be deemed to have been effected for purposes of this Agreement (including the limitations on the number of Demand Registrations set forth in Section 2.1 above) until the Registration Statement therefor shall have been declared effective under the Securities Act by the SEC (and is not then subject to any stop order, injunction, or other order or requirement of the SEC or other governmental agency or court for any reason) for the period specified in Section 2.8.

3. Incidental Registration.

3.1 Notice of Incidental Registration.

(a) Subject to Section 3.1(b) and Section 3.1(c), if the Company at any time proposes to register under the Securities Act any shares of the same class as any of the Registrable Securities (whether in an underwritten public offering or otherwise and whether or not for the account of the Company or for any stockholder of the Company, including Selling Stockholders registering Registrable Shares in a Demand Registration pursuant to Section 2), in a manner that would permit the registration under the Securities Act of Registrable Securities for sale to the public, the Company will give written notice to each Stockholder of its intention to do so not later than ten (10) days prior to the anticipated filing date of the applicable Registration Statement. If the proposed registration is intended to be a Demand Registration, the Company shall give the notice described in the preceding sentence but only to the Stockholders that did not previously elect to become Demanding Stockholders pursuant to Section 2 with respect to such registration. Any Stockholder may elect to participate in such registration on the same basis as the planned method of distribution contemplated by the proposed registration by delivering written notice of its election to the Company within five (5) days after its receipt of the Company's notice pursuant to this Section 3.1(a). A Stockholder's election pursuant to this Section 3.1(a) must (i) specify the amount of Registrable Securities desired to be included in such registration by such Stockholder and (ii) include any other information that the Company reasonably requests be included in such registration statement. Upon its receipt of a Stockholder's election pursuant to this Section 3.1(a), the Company will, subject to Section 3.2, use its reasonable best efforts to include in such registration all Registrable Securities requested to be included. Any registration of Registrable Securities pursuant to this Section 3 is referred to as an "Incidental Registration."

(b) The Company shall have no obligation under this Section 3 with respect to any registration effected pursuant to a registration statement on Form S-4 (or any other registration statement registering shares issued in a merger, consolidation, acquisition, or similar transaction) or Form S-8 or any successor or comparable forms, or a registration statement filed in connection with an exchange offer or any offering of securities solely to the Company's existing stockholders or otherwise pursuant to a dividend reinvestment plan, stock purchase plan, or other employee benefit plan.

(c) The Company shall have no obligation under this Section 3 with respect to any registration initiated by one or more Third-Party Demand Stockholders pursuant to one or more registration rights agreements in existence as of the date hereof under which the rights of all of such Third-Party Demand Stockholders are pari passu, if:

(i) the applicable registration rights agreement between the Company and such Third-Party Demand Stockholders prohibits the inclusion in such registration of securities other than those offered by such Third-Party Demand Stockholders and the Company; and

(ii) no securities other than those offered by such Third-Party Demand Stockholders are included in such registration.

3.2 Limitation on Inclusion of Registrable Securities; Priorities. If the proposed method of distribution in connection with an Incidental Registration is an underwritten public offering and the lead managing underwriter thereof determines in good faith that the amount of securities to be included in such offering would adversely affect such offering (including an adverse effect on the price at which the securities proposed to be registered may be sold), the amount of securities to be offered may be reduced or limited to the extent necessary to reduce the total number of securities to be included in such offering to the amount recommended by the lead managing underwriter as follows (subject to any existing agreements as in effect on the date hereof):

(a) in connection with an offering initiated by the Company, if securities are being offered for the account of other Persons (including any Stockholders) such reduction shall be made:

(i) first, from the securities intended to be offered by such other Persons (including any Stockholders), on a pro rata basis, based on the number of Registrable Securities and other securities that are requested to be included in such offering; and

(ii) last, from the number of securities to be offered for the account of the Company;

(b) in connection with an offering initiated by a Third-Party Demand Stockholder, such reduction shall be made:

(i) first, from securities held by Persons who are not Stockholders, Third-Party Demand Stockholders, or other stockholders entitled under any agreements between them and the Company to participate pari passu with the Selling

Stockholders in such Incidental Registration, and from securities being offered for the account of the Company, allocated between the Company and such other Persons as the Company may determine, subject to any agreements between the Company and such other Persons;

(ii) second, from the number of Registrable Securities requested to be included in such offering by the Selling Stockholders and any other stockholders entitled under any agreements between them and the Company to participate pari passu with the Selling Stockholders in such Incidental Registration, on a pro rata basis, based on the number of Registrable Securities and other securities which are requested to be included in the registration; and

(iii) last, from securities being offered by the Third-Party Demand Stockholders.

3.3 Delay or Withdrawal of Registration. The Company may, without the consent of any Stockholder, delay, suspend, abandon, or withdraw any proposed registration in which any Stockholder has requested inclusion of such Stockholder's Registrable Securities pursuant to this Section 3.

3.4 Withdrawal by Selling Stockholder. Each Selling Stockholder may, no less than five (5) Business Days before the anticipated effective date of the applicable Registration Statement for an Incidental Registration, withdraw some or all of its Registrable Securities from inclusion in the Registration Statement.

3.5 Underwriters; Underwriting Agreement. In connection with any Incidental Registration involving an underwritten public offering of securities for the account of the Company or a Third-Party Demand Stockholder, (a) the managing and lead underwriters shall be selected by the Company, unless otherwise provided in any agreement between the Company and any Third-Party Demand Stockholder, and (b) each Selling Stockholder electing to participate in the Incidental Registration shall, as a condition to the Company's obligation under this Section 3 to include such Selling Stockholder's Registrable Securities in such Incidental Registration, enter into and perform its obligations under an underwriting agreement or other similar arrangement in customary form with the managing underwriter of such offering.

#### 4. Obligations with Respect to Registration.

4.1 Obligations of the Company. Whenever the Company is obligated by the provisions of this Agreement to effect the registration of any Registrable Securities under the Securities Act, the Company shall:

(a) Subject to the provisions of Section 4.2, use its reasonable best efforts to cause the applicable Registration Statement to become effective as promptly as practicable, and to prepare and file with the SEC any amendments and supplements to the Registration Statement and to the Prospectus used in connection therewith as may be necessary to keep the Registration Statement and the Prospectus effective, current, and in compliance with the provisions of the Securities Act, during the periods when the Company is required by this Agreement to keep the Registration Statement effective and current.

(b) Within a reasonable time not to exceed ten (10) Business Days prior to filing a Registration Statement or Prospectus or any amendment or supplement thereto (other than any amendment or supplement in the form of a filing that the Company makes pursuant to the Exchange Act), furnish to each Selling Stockholder and each underwriter, if any, of the Registrable Securities covered by such Registration Statement copies of such Registration Statement or Prospectus as proposed to be filed, which documents will be subject to the reasonable review and comments of the Selling Stockholders (and their respective counsel) during such period, and the Company will not file any Registration Statement or any Prospectus or any amendment or supplement thereto containing any statements with respect to any Selling Stockholder or the distribution of the Registrable Securities to be included in such Registration Statement for sale by such Selling Stockholder if such Selling Stockholder reasonably objects in writing. Thereafter, the Company will furnish to each Selling Stockholder and each underwriter, if any, such number of copies of such Registration Statement, each amendment and supplement thereto (in each case including all exhibits thereto), the Prospectus included in such Registration Statement (including each preliminary Prospectus), and such other documents as such Selling Stockholder or underwriter may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such Selling Stockholder.

(c) After the filing of the Registration Statement, promptly notify each Selling Stockholder of the effectiveness thereof and of any stop order issued or threatened by the SEC and take all reasonable actions required to prevent the entry of such stop order or to remove it if entered and promptly notify each Selling Stockholder of the lifting or withdrawal of any such order.

(d) Immediately notify each Selling Stockholder holding Registrable Securities covered by the applicable Registration Statement at any time when a Prospectus relating thereto is required to be delivered under the Securities Act, of (i) the determination that a Material Event exists or (ii) the occurrence of an event requiring the preparation of a supplement or amendment to such Prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such Prospectus will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading and promptly make available to such Selling Stockholder any such supplement or amendment, and subject to the provisions of this Agreement regarding the existence of a Material Event, the Company will promptly prepare and furnish to each such Selling Stockholder a supplement to or an amendment of such Prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such Prospectus will not contain any untrue statement of material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading.

(e) Enter into customary agreements (including an underwriting agreement in customary form including customary indemnification provisions) and perform its obligations under any such agreements and shall take such other actions as are reasonably required in order to expedite or facilitate the disposition of such Registrable Securities.

(f) Make available for inspection by any Selling Stockholder covered by such Registration Statement, any underwriter selected by a Selling Stockholder pursuant to

Section 2.3 participating in any disposition pursuant to such Registration Statement, and any attorney, accountant, or other professional retained by any such Selling Stockholder or underwriter, all financial and other records, pertinent corporate documents, and properties of the Company as shall be reasonably necessary to enable them to exercise their due diligence responsibility in connection therewith, and cause the Company's officers, directors, and employees to supply all information reasonably requested by any of such Persons in connection with such Registration Statement. Information that the Company determines, in good faith, to be confidential and notifies such Persons is confidential shall not be disclosed by such Persons unless (i) the release of such information is ordered pursuant to a subpoena or other order from a court, or other governmental agency or tribunal, of competent jurisdiction or (ii) such information becomes public other than through a breach by such Persons of the confidentiality obligations of such Persons. Each Selling Stockholder agrees that information obtained by it as a result of such inspections shall be deemed confidential and shall not be used by it as the basis for any transactions in the securities of the Company or for any other purpose unless and until such information is made generally available to the public.

(g) Furnish, in the case of an underwritten public offering, to each Selling Stockholder and to each underwriter a signed counterpart of (i) an opinion or opinions of in-house counsel or outside counsel to the Company addressed to such Selling Stockholder and underwriters (on which opinion both such Selling Stockholder and each such underwriter shall be entitled to rely) and (ii) a comfort letter or comfort letters from the Company's independent public accountants, each in customary form and covering such matters of the type customarily covered by opinions or comfort letters, as the case may be, as the holders of a majority of the Registrable Securities included in such Registration Statement or the managing underwriter therefor reasonably requests.

(h) Register or qualify the Registrable Securities covered by a Registration Statement under the securities or blue sky laws of such United States jurisdictions as the Selling Stockholders shall reasonably request, and do any and all other acts and things which may be necessary to enable each Selling Stockholder to consummate the disposition in such jurisdictions of such Registrable Securities in accordance with the method of distribution described in such Registration Statement; provided, however, that the Company shall not be required (i) to qualify to do business as a foreign corporation in any jurisdiction where it is not otherwise required to be so qualified, (ii) to conform its capitalization or the composition of its assets at the time to the securities or blue sky laws of such jurisdiction, (iii) to execute or file any general consent to service of process under the laws of any jurisdiction, or (iv) to subject itself to taxation in any jurisdiction where it has not theretofore done so.

(i) Use its reasonable best efforts to cause such Registrable Securities covered by a Registration Statement to be listed on the principal exchange or exchanges or qualified for trading on the principal over-the-counter market or listed on the automated quotation market on which securities of the same class and series as the Registrable Securities (or into which such Registrable Securities will be or have been converted) are then listed, traded, or quoted upon the sale of such Registrable Securities pursuant to such Registration Statement.

(j) Make and keep information publicly available relating to the Company so as to satisfy the requirements of Rule 144 under the Securities Act (or any successor

or corresponding rule) and file with the SEC all reports and other documents required of the Company under the Securities Act and the Exchange Act in a timely manner.

(k) 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, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act (provided that the Company shall not be deemed in violation of this paragraph so long as it files customary quarterly reports with the SEC for such period), and not file any amendment or supplement to such Registration Statement or Prospectus to which any of the Selling Stockholders shall have reasonably objected on the grounds that such amendment or supplement does not comply in all material respects with the requirements of the Securities Act.

4.2 Selling Stockholders' Obligations. The Company's obligations under this Agreement to a Selling Stockholder shall be conditioned upon such Selling Stockholder's compliance with the following:

(a) Such Selling Stockholder shall cooperate with the Company in connection with the preparation of the Registration Statement, and for so long as the Company is obligated to keep the Registration Statement effective, such Selling Stockholder will provide to the Company, in writing, for use in the Registration Statement, all information regarding such Selling Stockholder, its intended method of disposition of the applicable Registrable Securities, and such other information as the Company may reasonably request to prepare the Registration Statement and Prospectus covering the Registrable Securities and to maintain the currency and effectiveness thereof.

(b) Such Selling Stockholder agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 4.1(d), such Selling Stockholder will discontinue its offering and sale of Registrable Securities pursuant to the applicable Registration Statement until such Selling Stockholder's receipt of either (i) notice from the Company that a Material Event no longer exists (but for no longer than the end of the 120-day period described in Section 2.6) or (ii) the copies of the supplemented or amended Prospectus contemplated by Section 4.1(d), and, in either case, if so directed by the Company, such Stockholder will deliver to the Company all copies in its possession of the most recent Prospectus covering such Registrable Securities at the time of receipt of such notice.

4.3 Underwriting Agreement. Neither the Company nor any other Person may participate in any underwritten public offering in connection with a Demand Registration or an Incidental Registration unless such Person (i) agrees to sell its securities on the basis provided in any underwriting arrangements approved by the Person or Persons selecting the lead managing underwriters for such offering and (ii) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements, and other documents reasonably required under the terms of such underwriting arrangements and this Agreement.

4.4 Holdback by the Company. The Company agrees not to engage in any public sale or distribution by it of any securities of the same class or series as the Registrable Securities or securities convertible into, or exchangeable or exercisable for, or the value of which relates to or is based upon, such securities during the ten days prior to, and during the 45-day

period beginning on, the effective date of any Registration Statement filed with respect to any public offering of Registrable Securities to the extent the lead book running managing underwriter for such offering advises the Company in writing that a public sale or distribution during such 45-day period (including a sale pursuant to Rule 144 under the Securities Act) of Registrable Securities by the Company other than pursuant to the underwritten public offering contemplated by such registration statement would materially adversely impact such underwritten public offering), except as part of such registration; provided, however, that the limitation set forth in this Section 4.4 shall not apply: (a) to registrations by the Company on Form S-4 or any other registration of shares issued in a merger, consolidation, acquisition, or similar transaction or on Form S-8, or any successor or comparable forms, or a registration statement filed in connection with an exchange offer of securities of the Company made solely to the Company's existing stockholders or otherwise pursuant to a dividend reinvestment plan, stock purchase plan, or other employee benefit plan; (b) to sales by the Company upon exercise or exchange, by the holder thereof, of options, warrants or convertible securities; (c) to any employee benefit plan (if necessary to allow such plan to fulfill its funding obligations in the ordinary course); or (d) to any Demand Registration effected as a shelf registration under Rule 415 of the Securities Act. This Section 4.4 shall not limit any public sale or distribution of any securities of the Company by any Third-Party Demand Stockholder or any Person having the right to require that the Company include its securities in any registration initiated by any Third-Party Demand Stockholder.

4.5 Holdback by Stockholders. To the extent not inconsistent with applicable law, each Stockholder whose securities are included in a Registration Statement in connection with an underwritten public offering agrees not to effect any sale or distribution of the issue being registered or a similar security of the Company, or any securities convertible into or exchangeable or exercisable for such securities, including a sale pursuant to Rule 144 under the Securities Act, during the ten days prior to, and during the 45-day period beginning on, the effective date of such Registration Statement (except as part of such registration), if and to the extent requested in writing by the managing underwriter or Underwriters of such underwritten public offering.

#### 5. Expenses of Registration.

5.1 Registration Expenses. Except as provided in Section 5.2, all Registration Expenses incurred in connection with any Demand Registration or Incidental Registration and the distribution of any Registrable Securities in connection therewith shall be borne by the Company. For purposes of this Agreement, the term "Registration Expenses" means all:

- (a) registration, application, filing, listing, transfer, and registrar fees,
- (b) NASD fees and fees and expenses of registration or qualification of Registrable Securities under state securities or blue sky laws,
- (c) printing expenses (or comparable duplication expenses), delivery charges, and escrow fees,
- (d) fees and disbursements of counsel for the Company,

(e) fees and expenses for independent certified public accountants retained by the Company (including the expenses of any comfort letters or costs associated with the delivery by independent certified public accountants of a comfort letter or comfort letters),

(f) fees and expenses of any special experts retained by the Company in connection with such registration;

(g) reasonable fees and disbursements of underwriters and broker-dealers customarily paid by issuers or sellers of securities,

(h) fees and expenses of listing the Registrable Securities on a securities exchange or over-the-counter market; and

(i) all reasonable fees and disbursements of one (1) counsel for the Selling Stockholders attributable to the distribution of the Registrable Securities of such Selling Stockholders included in such registration.

5.2 Selling Stockholder Expenses. Each Selling Stockholder shall pay all:

(a) stock transfer fees or expenses (including the cost of all transfer tax stamps), if any; and

(b) all underwriting or brokerage discounts and commissions.

## 6. Indemnification.

6.1 By the Company. The Company agrees to indemnify and hold harmless each Stockholder Indemnified Party from and against any Losses, joint or several, to which such Stockholder Indemnified Party may become subject under the Securities Act, the Exchange Act, state securities or blue sky laws, common law or otherwise, insofar as such Losses (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the applicable Registration Statement or Prospectus, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and the Company will reimburse each such Stockholder Indemnified Party for any reasonable fees and expenses of outside legal counsel for such Stockholder Indemnified Parties, or other expenses reasonably incurred by them, as incurred, in connection with investigating or defending any such claims; provided, however, that the Company will not indemnify or hold harmless any Stockholder Indemnified Party from or against any such Losses (including any related expenses) to the extent such Losses (including any related expenses) result from an untrue statement, omission or allegation thereof which were (a) made in reliance upon and in conformity with written information provided by or on behalf of the applicable Selling Stockholder specifically and expressly for use or inclusion in the applicable Registration Statement or Prospectus or (b) made in any Prospectus used after such time as the Company advised such Selling Stockholder that the filing of a post-effective amendment or supplement thereto was required, except that this proviso shall not apply if the untrue statement, omission, or allegation thereof is contained in the Prospectus as so amended or supplemented. Such indemnity shall remain in full force and effect regardless of any investigation made by or on



behalf of the Stockholder Indemnified Parties and shall survive the transfer of such securities by the Selling Stockholders.

6.2 By Selling Stockholders. Each Selling Stockholder, individually and not jointly, agrees to indemnify and hold harmless each Company Indemnified Party and each other Stockholder Indemnified Party from and against any Losses, joint or several, to which such Company Indemnified Party or any other Stockholder Indemnified Party may become subject, insofar as such Losses (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the applicable Registration Statement or the Prospectus, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, if the statement or omission was made in reliance upon and in conformity with written information provided by or on behalf of such Selling Stockholder or any Person who controls such Selling Stockholder specifically and expressly for use or inclusion in the applicable Registration Statement or Prospectus; provided, however, that such Selling Stockholder will not indemnify or hold harmless any Company Indemnified Party or other Stockholder Indemnified Party from or against any such Losses (including any related expenses) (a) to the extent the untrue statement, omission, or allegation thereof upon which such Losses (including any related expenses) are based was made in any Prospectus used after such time as such Selling Stockholder advised the Company that the filing of a post-effective amendment or supplement thereto was required, except that this proviso shall not apply if the untrue statement, omission, or allegation thereof is contained in the Prospectus as so amended or supplemented, or (b) in an amount that exceeds the net proceeds received by such Selling Stockholder from the sale of Registrable Securities pursuant to such Registration Statement. Such indemnity shall remain in full force and effect regardless of any investigation by or on behalf of Company Indemnified Parties or the Stockholder Indemnified Parties, and shall survive the transfer of such securities by the Selling Stockholder.

6.3 Procedures. Each Indemnified Party shall give notice to each Indemnifying Party promptly after such Indemnified Party has actual knowledge of any claim as to which indemnity may be sought, and the Indemnifying Party may participate at its own expense in the defense, or if it so elects, assume the defense of any such claim and any action or proceeding resulting therefrom, including the employment of counsel and the payment of all expenses. The failure of any Indemnified Party to give notice as provided in this Section 6.3 shall not relieve the Indemnifying Party from its obligations to indemnify such Indemnified Party, except to the extent the Indemnified Party's failure to so notify actually prejudices the Indemnifying Party's ability to defend against such claim, action, or proceeding. If the Indemnifying Party elects to assume the defense in any action or proceeding, an Indemnified Party shall have the right to employ separate counsel in such action or proceeding and to participate in the defense thereof, but such Indemnified Party shall pay the fees and expenses of such separate counsel unless (a) the Indemnifying Party has agreed to pay such fees and expenses or (b) the named parties to any such action or proceeding (including any impleaded parties) include such Indemnified Party and the Indemnifying Party, and such Indemnified Party shall have been advised by counsel that there is or would be a conflict of interest between such Indemnified Party and the Indemnifying Party in the conduct of the defense of such action (in which case, if such Indemnified Party notifies the Indemnifying Party in writing that it elects to employ separate counsel at the expense of the Indemnifying Party, the Indemnifying Party shall

not assume the defense of such action or proceeding on such Indemnified Party's behalf). No Indemnifying Party, in the defense of any such claim or litigation, shall, except with the consent of the Indemnified Party (which consent will not be unreasonably withheld), consent to entry of any judgment, or enter into any settlement that does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation.

6.4 Contribution. If the indemnification provided for under this Section 6 is unavailable to or insufficient to hold the Indemnified Party harmless under Section 6.1 or Section 6.2 above in respect of any Losses referred to therein for any reason other than as specified therein, then the Indemnifying Party shall contribute to the amount paid or payable by such Indemnified Party as a result of such Losses in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party, on the one hand, and such Indemnified Party, on the other, in connection with the statements or omissions that resulted in such Losses. The relative fault of each Indemnifying Party or Indemnified Party, as the case may be, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by (or that was failed to be supplied by) such Indemnifying Party or Indemnified Party, such party's relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission. If contribution based upon the relative fault of the Indemnifying Party, on the one hand, and the Indemnified Party, on the other hand, is not available, then the Indemnifying Party shall contribute to the amount paid or payable by Indemnified Party as a result of Losses in such proportion as is appropriate to reflect the relative benefits received by the Indemnifying Party, on the one hand, and such Indemnified Party, on the other, from the subject offering or distribution. The relative benefits received by the Indemnifying Party, on the one hand, and the Indemnified Party, on the other, shall be deemed to be in the same proportion as the net proceeds of the offering or other distribution received by the Indemnifying Party bears to the net proceeds of the offering or other distribution received by the Indemnified Party. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

7. Limitation on Other Registration Rights. The Company shall not grant to any Person any demand registration right, incidental registration right, or other right that would conflict with any of the rights granted to Stockholders herein.

8. Miscellaneous.

8.1 Notices.

(a) All notices, requests, demands, waivers, and other communications under this Agreement shall be in writing and shall be deemed to have been duly given if delivered personally, mailed, certified or registered mail with postage prepaid, or sent by reliable overnight courier, or facsimile transmission, to the address or facsimile number specified for the applicable party on Schedule A attached to this Agreement, or to such other Person, address, or facsimile number as any party shall specify by notice in writing to the other Parties.

(b) Any notice or other communication to a party in accordance with the provisions of this Agreement shall be deemed to have been given (i) three (3) Business Days after it is sent by certified or registered mail, postage prepaid, return receipt requested, (ii) upon receipt when delivered by hand or transmitted by facsimile (confirmation received), or (iii) one (1) Business Day after it is sent by a reliable overnight courier service, with acknowledgment of receipt requested. Notwithstanding the preceding sentence, notice of change of address shall be effective only upon actual receipt thereof.

8.2 Amendment. Any provision of this Agreement may be amended or modified in whole or in part at any time by an agreement in writing among the Company and the Stockholder holding a majority of the Registrable Securities, executed in the same manner as this Agreement. No consent, waiver, or similar act shall be effective unless in writing.

8.3 Entire Agreement. This Agreement constitutes the entire agreement among the Parties and supersedes all prior agreements and understandings, oral and written, among the Parties with respect to the subject matter hereof.

8.4 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

8.5 Governing Law. This Agreement shall be governed by and interpreted in accordance with the internal laws of the State of California, without giving effect to principles of conflicts of laws.

8.6 Assignment.

(a) Except as expressly provided in this Section 8.6, the rights of the Parties cannot be transferred or assigned and any purported assignment or transfer to the contrary shall be void ab initio. So long as the terms of this Section 8.6 are followed, any Stockholder may transfer any of its rights under this Agreement, without the consent of the Company, to any Person to whom such holder transfers any Registrable Securities or any rights to acquire Registrable Securities, whether such transfer is by sale, gift, assignment, pledge, or otherwise, so long as:

(i) such transfer is not made pursuant to an effective Registration Statement or pursuant to Rule 144 or Rule 145 (or any successor provisions) under the Securities Act or in any other manner the effect of which is to cause the transferred securities to be freely transferable without regard to the volume and manner of sale limitations set forth in Rule 144 (or any successor provision) in the hands of the transferee as of the date of such transfer; and

(ii) such transfer is made (A) to another Stockholder; (B) to any Person that, directly or indirectly, through the ownership of voting securities, controls, is controlled by, or is commonly controlled with such Stockholder; (C) to any investment fund formed by an affiliate of such Stockholder that is commonly controlled with such Stockholder; (D) to a trust for the benefit of the equity owners of such Stockholder and of which the trustee or trustees are one or more Persons that either control, or are commonly controlled with, such

Stockholder or are banks, trust companies, or similar entities; (E) any Person for which such Stockholder is acting as nominee or any trust controlled by or under common control with such Person; (F) any Person, so long as such Person acquires, pursuant to such transfer or series of related transfers, not less than fifty thousand (50,000) Registrable Securities (as adjusted for any stock dividends, combinations, splits, recapitalizations and the like), or (G) where the transferring Stockholder is an individual, (i) to the estate, heirs, or legatees of such Stockholder upon such Stockholder's death; (ii) to or for the benefit of any member of such Stockholder's family or to any Person controlled by such Stockholder or one or more members of such Stockholder's family; or (iii) to any charitable foundation, charitable trust, or similar entity.

(b) In addition to the transfers permitted by Section 8.6(a), so long as the other terms of this Section 8.6 are followed, any Stockholder may transfer any of its rights under this Agreement (other than its rights under Section 2), without the consent of the Company, to any charitable organization to which Registrable Securities are transferred by any charitable foundation, charitable trust, or similar entity to which Registrable Securities were previously transferred in accordance with Section 8.6(a); provided that any notice under this Agreement that the Company would otherwise be required to deliver to such charitable organization, as transferee of any of the transferor's rights under this Agreement, may be given to the transferor of such Registrable Securities at the address or facsimile number specified by the transferor in accordance with Section 8.1(a).

(c) Notwithstanding Section 8.6(a) or Section 8.6(b), no Stockholder may assign any of its rights under this Agreement to any Person to whom such Stockholder transfers any Registrable Securities unless the transfer of such Registrable Securities did not require registration under the Securities Act.

(d) The nature and extent of any rights assigned shall be as agreed to between the assigning party and the assignee. Any assignee hereunder shall receive such assigned rights subject to all the terms and conditions of this Agreement, including the provisions of this Section 8.6. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and assigns.

8.7 Binding Agreement; No Third Party Beneficiaries. This Agreement will be binding upon and inure to the benefit of the Parties and their successors and permitted assigns. This Agreement shall constitute a binding agreement among the Company and each other Persons executing this Agreement at such time as it has been executed by the Company and such other Persons, even if additional Persons whose names appear on the signature page to this Agreement have not executed and delivered this Agreement and may or may not do so at a later time. Except as set forth herein and by operation of law, no party to this Agreement may assign or delegate all or any portion of its rights, obligations, or liabilities under this Agreement without the prior written consent of each other party to this Agreement.

[Signature page follows.]

SIGNATURE PAGE TO REGISTRATION RIGHTS AGREEMENT

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first set forth herein.

NOVATEL WIRELESS, INC.

By: /s/ Peter V. Leparulo

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Name: Peter V. Leparulo

Title: Chief Executive Officer

"PURCHASERS"

BAY INVESTMENTS LIMITED

By: /s/ H.J. Pudwill  
-----

Name: H.J. Pudwill

Title: Director

MUTUAL TRUST MANAGEMENT (BERMUDA)

LIMITED AS TRUSTEE OF SOFAER FUNDS/

GLOBAL HEDGE FUND

By: /s/ Michael Sofaer  
-----

Name: Michael Sofaer

Title: Authorised signatory of Sofaer Capital Inc.

Authorised Investment Adviser

RIT CAPITAL PARTNERS PLC.

By: /s/ Michael Sofaer  
-----

Name: Michael Sofaer

Title: Authorised signatory of Sofaer Capital Inc.

Authorised Investment Adviser

SOEN YONG LEE

By: /s/ Soen Yong Lee  
-----

Soen Yong Lee

SIGNATURE PAGE TO REGISTRATION  
RIGHTS AGREEMENT

PETER LEPARULO

By: /s/ Peter V. Leparulo

-----  
Peter Leparulo

CORNERSTONE EQUITY INVESTORS, LLC

By: /s/ Robert H. Getz

-----

Name: Robert H. Getz

Title: Managing Director

PS CAPITAL LLC

By: /s/ Stanley M. Blau

-----

Name: Stanley M. Blau

Title: Managing Director

SIGNATURE PAGE TO REGISTRATION  
RIGHTS AGREEMENT

PAN INVEST & TRADE INC.

By: /s/ Bruno Sidler

-----

Name: Bruno Sidler

Title: Director

SIGNATURE PAGE TO REGISTRATION  
RIGHTS AGREEMENT



SCHEDULE A

Addresses for Notice Purposes

IF TO THE COMPANY:

Novatel Wireless, Inc.  
9360 Towne Centre Drive, Suite 110  
San Diego, CA 92121  
Attention: Peter Leparulo,  
Chief Executive Officer  
Fax: (858) 812-3414

With a copy to:

Latham & Watkins LLP  
633 West Fifth Street, Suite 4000  
Los Angeles, CA 90071  
Attention: J. Scott Hodgkins, Esq.  
Fax: (213) 891-8763

IF TO THE PURCHASERS:

Mutual Trust Management (Bermuda)  
Limited as Trustee of Sofaer Funds/Global Hedge Fund  
Hemisphere House  
9 Church Street  
P.O. Box HM 951  
Attention: Michael Sofaer

RIT Capital Partners plc.  
Spencer House  
27 St. James' Place  
London  
SW1A 1NR  
Attention: Michael Sofaer

Pan Invest & Trade Inc.  
10th Floor  
8 Queen's Road Central  
Hong Kong  
Attention: John McLean Arnot

Bay Investments Limited  
Suite 1806, 18/F  
Central Plaza  
18 Harbour Road  
WanChai  
Hong Kong  
Attention: Horst Pudwill

Soen Yong Lee  
#25 - 8, Sangdo 2 -Dong  
Dongjak - Gu  
Seoul, Korea 156-03

Peter Leparulo  
Novatel Wireless, Inc.  
9360 Towne Centre Drive,  
Suite 110  
San Diego, CA 92121

Cornerstone Equity Investors, LLC  
717 Fifth Avenue  
Suite 1100  
New York, NY 10022  
Attention: Robert H. Getz

PS Capital LLC  
800 Fifth Avenue,  
Suite 19a  
New York, NY 10002  
Attention: Stan Blau

With a copy to:

Irell & Manella LLP  
1800 Avenue of the Stars, Suite 900  
Los Angeles, CA 90067  
Attention: Alvin G. Segel, Esq.  
Fax: (310) 203-7199

SIGNATURE PAGE TO REGISTRATION  
RIGHTS AGREEMENT

## NEWS RELEASES

NOVATEL WIRELESS ANNOUNCES NEW \$6.7  
MILLION FINANCING

SAN DIEGO, CA - March 13, 2003--Novatel Wireless, Inc. (Nasdaq: NVTL), a leading provider of wireless data communications access solutions, announced today that it has raised \$1.2 million of new capital through the private placement of secured subordinated convertible debt and it has signed an agreement to raise an additional \$2.05 million through the private placement of preferred equity. In addition, the Company expects to issue approximately \$3.505 million of preferred equity in exchange for the satisfaction of liabilities. The group of investors includes Bay Investments Limited, PS Capital LLC and other investors. Certain aspects of the transaction are subject to stockholder approval in accordance with Nasdaq listing requirements.

The financing will be in the form of an initial \$1.2 million of secured convertible subordinated short-term debt and warrants to purchase common stock; \$3.505 million of secured subordinated convertible debt which will be used to satisfy liabilities that the investor group plans to purchase on behalf of the Company; and \$2.05 million of Series B Convertible Preferred Stock for cash and warrants to purchase common stock. The Company expects that this financing will provide it with sufficient working capital until the Company achieves break even cash flow.

"This new investment is necessary for us to execute our business plan and will allow us to concentrate on building a profitable, leading wireless data company," said Peter Leparulo, Chief Executive Officer of Novatel Wireless. "With this financing in place, we believe we will see a dramatically different Novatel Wireless with a focused sales and marketing effort, a concentrated R&D program, and a dramatically reduced cost structure. This structure will allow us to turn profitable on a much lower revenue base while enabling us to take advantage of projected growth in the marketplace as it arises. Moving forward, we will build on our growing relationships with leading carriers and technology companies such as LG Innotek, Lucent Technologies and our largest customer - Sprint."

Following stockholder approval, the short term debt will be converted into shares of the Company's Series B Preferred Stock, and the convertible debt will be converted, subject to the satisfaction of certain conditions, into shares of the Company's Series B Preferred Stock. The Series B Preferred Stock will then be convertible into shares of the Company's common stock at a conversion price of \$0.70 per share, which represents a 10% discount to the five day closing bid average of the common stock for the period ended March 10, 2003. When the preferred stock is fully converted, the Series B new investors will own approximately 54% of the outstanding capital stock of the Company.

Novatel Wireless will release final fourth quarter and year-end results on Wednesday, March 26, 2003.

## ABOUT NOVATEL WIRELESS, INC.

Novatel Wireless, Inc. is a leading provider of wireless data modems and

software for use with handheld computing devices and portable personal computers. The Company delivers innovative and comprehensive solutions that enable businesses and consumers to access personal, corporate and public information through email, enterprise networks and the Internet. Novatel Wireless also offers wireless data modems and custom engineering services for hardware integration projects in a wide range of vertical applications. The Novatel Wireless product portfolio includes the Merlin(TM) Family of Wireless PC Card Modems, Expedite(TM) Family of Wireless Embedded Modems, Minstrel(R) Family of Wireless Handheld Modems, Lancer 3W(TM) Family of Ruggedized Modems and Sage(R) Wireless Serial Modems. Headquartered in San Diego, California, Novatel Wireless is listed on The Nasdaq Stock Market (Nasdaq: NVTL). For more information, please visit the Novatel Wireless web site: [www.novatelwireless.com](http://www.novatelwireless.com) or call 888-888-9231.

The Novatel Wireless logo, Minstrel, Merlin, Sage, Lancer 3W and Expedite are trademarks of Novatel Wireless, Inc. Minstrel and Sage are registered with the U.S. Patent and Trademark Office. All other brands, products and company names mentioned herein are trademarks of their respective holders.

This release may contain forward-looking statements, which are made pursuant to the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. These forward-looking statements involve risks and uncertainties. A number of important factors could cause actual results to differ materially from those in the forward-looking statements. These factors include risks relating to technological changes, continued acceptance of Novatel Wireless' products and dependence on intellectual property rights. These factors, as well as other factors that could cause actual results to differ materially, are discussed in more detail in Novatel Wireless' filings with the United States Securities and Exchange Commission and other regulatory agencies.