AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON SEPTEMBER 14, 2000

REGISTRATION NO. 333-42570

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 2

TO

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

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

DELAWARE	4812	86-0824673
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

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

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

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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:

As soon as practicable after the effective date of this Registration Statement.

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

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

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

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

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

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR

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

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

SUBJECT TO COMPLETION, DATED SEPTEMBER 14, 2000

7,000,000 Shares

[NOVATEL LOGO]

Common Stock

Prior to this offering, there has been no public market for our common stock. The initial public offering price of the common stock is expected to be between $10.00 and $12.00 per share. We have applied to list our common stock on The Nasdaq Stock Market's National Market under the symbol "NVTL".

The underwriters have an option to purchase a maximum of 1,050,000 additional shares to cover over-allotments of shares.

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

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

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

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

CREDIT SUISSE FIRST BOSTON

U.S. BANCORP PIPER JAFFRAY

BANC OF AMERICA SECURITIES LLC

The date of this prospectus is , 2000

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

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

DEALER PROSPECTUS DELIVERY OBLIGATION

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

PROSPECTUS SUMMARY

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

OUR COMPANY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CORPORATE INFORMATION

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

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

THE OFFERING

Common stock offered by us.....	7,000,000 shares of our common stock
Common stock to be outstanding after the offering.....	51,592,573 shares of our common stock
Use of proceeds.....	For working capital and general corporate purposes, including increased research and development and sales and marketing expenditures. See "Use of Proceeds."
Nasdaq National Market symbol.....	NVTL

The number of shares of our common stock to be issued and outstanding immediately after this offering is based on the number of shares issued and outstanding as of September 13, 2000. It also reflects a three-for-one split of each share of our common stock and preferred stock, which we effected prior to consummation of this offering, and the automatic conversion into shares of our common stock upon completion of this offering of (i) Series A, B and C preferred stock outstanding as of June 30, 2000 into 24,067,245 shares of our common stock and (ii) all shares of our Series D preferred stock which we issued and sold to investors on June 30, 2000 and on July 14, 2000 into 5,892,150 shares of our common stock, and (iii) all shares of preferred stock of our subsidiary Novatel Wireless Technologies, Ltd. an Alberta, Canada corporation (NWT) (discussed below). In addition to the shares of common stock to be outstanding after this offering, there are:

- 10,252,218 shares of common stock that could be issued upon the exercise of options outstanding as of September 13, 2000 at a weighted average exercise price of $4.10 per share;

- 10,578,543 shares of common stock that could be issued upon the exercise of warrants outstanding as of September 13, 2000;

- 6,247,782 shares of common stock that could be issued in the future under our stock option plans as of September 13, 2000;

- 1,500,000 shares of common stock that could be issued in the future under our 2000 employee stock purchase plan.

Prior to this offering, the authorized capital stock of our subsidiary, NWT, consisted of an unlimited number of Series A preferred shares, an unlimited number of Series B preferred shares and an unlimited number of common shares. In September 2000, all the NWT Series A preferred shares and all the NWT Series B preferred shares were exchanged for an equal number of shares of our Series A preferred stock and our Series B preferred stock, respectively, and upon consummation of this offering will be immediately converted into an aggregate of 4,396,236 shares of our common stock. In this prospectus, we refer to this exchange and subsequent conversion as the "NWT Exchange."

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

- the three-for-one split of each share of our common stock and preferred stock which we effected prior to consummation of this offering and after the occurrence of the NWT Exchange;

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

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

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

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

SUMMARY FINANCIAL DATA

You should read the following selected financial data in conjunction with our consolidated financial statements and the related notes and with "Management's Discussion and Analysis of Financial Condition and Results of Operations," which are included elsewhere in this prospectus. The consolidated statements of operations data for the years ended December 31, 1997, 1998 and 1999, and the balance sheet data at December 31, 1998 and 1999, are derived from our consolidated financial statements which have been audited by Arthur Andersen LLP and which are included elsewhere in this prospectus. The consolidated statement of operations data for the period from inception to December 31, 1996 is derived from audited consolidated financial statements not included in this prospectus. The balance sheet data at June 30, 2000 and consolidated statements of operations data for the six months ended June 30, 1999 and 2000 are derived from unaudited consolidated financial statements which are included elsewhere in this prospectus. See notes 4 and 14 of the notes to the consolidated financial statements for an explanation of the number of shares used to compute net loss per share and pro forma net loss per share. The historical financial information may not be indicative of our future performance, and results of interim periods may not be indicative of results that may be expected for any other interim period or for the year as a whole.

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)	PERIOD FROM APRIL 26, 1996 (INCEPTION) TO DECEMBER 31, 1996	FISCAL YEAR ENDED DECEMBER 31, 1997	1998	1999	SIX MONTHS ENDED JUNE 30, 1999 (UNAUDITED)	2000
CONSOLIDATED STATEMENT OF OPERATIONS DATA:						
Revenue	$ 277	$ 3,354	$ 5,378	$ 9,556	$ 2,095	$ 15,931
Cost of revenue	168	1,136	3,433	11,955	2,528	18,014
Gross margin	109	2,218	1,945	(2,399)	(433)	(2,083)
Operating expenses:						
Research and development	2,650	2,715	2,333	3,717	1,035	5,203
Sales and marketing	256	2,058	2,685	4,480	1,379	6,472
General and administrative	656	1,944	2,611	4,663	1,814	2,454
Net loss	(3,462)	(4,476)	(5,506)	(18,469)	(4,637)	(15,936)
Net loss per common share:						
Basic and diluted	$ (0.37)	$ (0.51)	$ (0.69)	$ (2.04)	$ (0.55)	$ (1.80)
Weighted average shares outstanding	9,711,630	9,711,630	9,711,630	9,728,421	9,715,023	10,088,661
Pro forma net loss per share (unaudited)(1):						
Basic and diluted				$ (0.73)	$ (0.20)	$ (0.41)
Weighted average shares outstanding				27,199,269	27,155,673	43,869,522

	JUNE 30, 2000	
	ACTUAL	AS ADJUSTED(2)
CONSOLIDATED BALANCE SHEET DATA:		
Cash and cash equivalents	$ 32,735	$113,887
Working capital	26,969	108,121
Total assets	55,254	136,406
Total long-term liabilities	71	71
Stockholders' equity	(18,579)	112,964

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

(2) "As adjusted" reflects the application of the net proceeds from the sale of 7,000,000 shares of common stock offered by us at an assumed initial public offering price of $11.00 per share, after deducting the underwriting discounts and commissions and the estimated offering expenses. See "Use of

Proceeds" and "Capitalization."

RISK FACTORS

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

RISKS RELATED TO OUR BUSINESS

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

We have experienced operating losses and net losses in each quarterly and annual period since our inception, and we expect to continue to incur significant losses for the foreseeable future. We incurred net losses of $3.5 million for the eight months ended December 31, 1996, $4.5 million for the year ended December 31, 1997, $5.5 million for the year ended December 31, 1998 and $18.5 million for the year ended December 31, 1999. In addition, we had negative cash flows from operations of $3.5 million for the year ended December 31, 1997, $5.0 million for the year ended December 31, 1998 and $5.2 million for the year ended December 31, 1999. As of June 30, 2000, we had an accumulated deficit of $53.3 million. We expect our operating expenses and negative cash flows will increase substantially as we continue to attempt to expand our business. We also expect to significantly increase our product development, sales and marketing, research and development, manufacturing, and general and administrative expenses in future periods. We have entered into and expect to continue to enter into significant customer contracts for the development and supply of our products. These contracts may place significant demands on our resources. If we are unable to increase our revenue sufficiently to offset these expected increases in our expenses, we will not achieve profitability and our operating losses, net losses and negative cash flows will increase.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our ability to successfully offer our products and implement our business plan in a rapidly evolving market requires an effective planning and management process. We have continued to increase the scope of our operations domestically and have grown our shipments and headcount substantially. At September 1, 2000, we had a total of approximately 248 employees, representing an increase from 36 employees since March 31, 1997. In addition, we expect to continue to hire a significant number of employees during the remainder of 2000. Our growth has resulted, and any future growth will result, in increased responsibilities for our management and increased demands on our resources. To be successful, we will need to:

- implement additional management information systems;
- improve our operating, administrative, financial and accounting systems, procedures and controls;
- maintain and expand our manufacturing capacity;
- continue to train, motivate, manage and retain our existing employees and attract and integrate new employees; and
- maintain close coordination among our executive, engineering, professional services, accounting, finance, marketing, sales and operations organizations.

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

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

We currently outsource all our manufacturing to Sanmina Corporation, GVC Corporation and Solectron de Mexico, S.A. de C.V. Because we only recently entered into our agreements with GVC Corporation and Solectron, we have not had any significant working experience with either of these manufacturers. We expect GVC and Solectron to begin manufacturing some of our products at their facilities in Taiwan and Mexico, respectively, in the near future. We expect to continue to depend exclusively on third-party manufacturers to produce our products in a timely fashion and at satisfactory

quality levels. Neither of these third-party manufactures is obligated to supply products to us for any specific quantity, except as may be provided in particular purchase orders which we submit to them from time to time. If our third-party manufacturers experience delays, disruptions, capacity constraints or quality control problems in their manufacturing operations, then product shipments to our customers could be delayed, which would negatively impact our revenues and our competitive position and reputation. The cost, quality and availability of third-party manufacturing operations are essential to the successful production and sale of our products. Our reliance on our third-party manufacturers exposes us to a number of risks which are outside our control:

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

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

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

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

The development of new products can be very difficult and requires technological innovation. The development process is also lengthy and costly. In addition, wireless communications service providers require that wireless data systems deployed on their networks comply with their own standards, which may differ from the standards of other providers. If we fail to anticipate our customers' needs and technological trends accurately or are otherwise unable to complete the development of products on time and within budgeted amounts, we will be unable to introduce new products into the market on a timely basis, if at all. If we are unsuccessful at developing and introducing new products that are appealing to consumers, we may be unable to recover our significant research and development costs and our business, financial condition and results of operations could be materially adversely affected. In addition, as we introduce new

versions of our products or new products, our current customers may not require the technological innovations of our new products and may not purchase them.

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

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

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

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

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

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

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

- LENGTHY SALES CYCLE. In addition, the length of time between the date of initial contact with a potential customer and the execution of a contract may take several months, and is subject to delays over which we have little or no control. The sale of our products is subject to delays from our customers' budgeting, approval and competitive evaluation processes that typically accompany significant information technology purchasing decisions. For example, customers frequently begin by evaluating our products on a limited basis and devote time and resources to testing our products before they decide whether or not to purchase a product. We commit substantial time and

resources to educate potential customers on the use and benefits of our products. Customers may also defer orders as a result of anticipated releases of newer or enhanced products by us or our competitors. As a result, our ability to anticipate the timing and volume of sales to specific customers is limited, and the delay or failure to complete one or more large transactions could cause our operating results to vary significantly from quarter to quarter.

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

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

A significant portion of our revenue comes from a small number of customers. Our top ten customers for the year ended December 31, 1999 and the six months ended June 30, 2000 accounted for approximately 83.7% and 76.7% of our revenue, respectively. @Road, OmniSky and AirLink Communications, Inc. accounted for 23.1%, 14.3% and 9.2% of our revenue, respectively, for the year ended December 31, 1999. OmniSky, @Road, and Global Wireless Data accounted for 22.4%, 22.7% and 7.3% of our revenue, respectively, for the six months ended June 30, 2000. We expect that a small number of customers will continue to account for a substantial portion of our revenue for the foreseeable future. If there is a downturn in the business of any of these customers, if we are unable to continue to retain their business, or if we are unable to diversify our customer base, our revenue may decline.

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

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

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

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

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

A significant amount of our revenue is generated by our products for handheld computing devices and portable PCs. Although the demand for handheld computing devices and portable PCs has historically

increased at a steady rate, we cannot assure you that the demand for those devices will continue to grow in the future. In addition, certain recent models of handheld computing devices and portable PCs include internal wireless modems installed by the manufacturer which reduce the need for consumers to purchase our wireless modem products. If demand for handheld computing devices and portable PCs declines or as more consumers purchase handheld computing devices and PCs with internal wireless modems, the demand for our products would materially decrease and our revenue would decline.

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

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

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

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

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

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

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

Acquisitions also entail numerous risks, including: difficulties in assimilating acquired operations, products and personnel; unanticipated costs; diversion of management's attention from other business concerns; adverse effects on existing business relationships with suppliers and customers; risks of entering markets in which we have limited or no prior experience; and potential loss of key employees from either our preexisting business or the acquired organization. We may not be able to successfully integrate any businesses, products, technologies or personnel that we might acquire in the future, and our failure to do so could harm our business and operating results.

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

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

- changes in foreign currency exchange rates;

- changes in a specific country's or region's political or economic conditions, particularly in emerging markets, and changes in diplomatic and trade relationships;

- less effective protection of intellectual property;

- trade protection measures and import or export licensing requirements;

- potentially negative consequences from changes in tax laws;

- increased expenses associated with customizing products for foreign countries;

- unexpected changes in regulatory requirements resulting in unanticipated costs and delays;

- longer collection cycles and difficulties in collecting accounts receivable; and

- difficulty in managing widespread sales and research and development operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

RISKS RELATED TO THIS OFFERING

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

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

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

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

- quarterly variations in our operating results;

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

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

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

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

- regulatory developments;

- additions or departures of key personnel;

- general market conditions; and

- domestic and international economic factors unrelated to our performance.

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

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

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

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

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

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

The initial public offering price per share of our common stock is substantially higher than the average net tangible book value per share of common stock. As a result, if you purchase shares of common stock in this offering your interest will suffer immediate and substantial dilution. This dilution will reduce the net tangible book value of your shares since any shares of our common stock that you purchase in this offering will be at a substantially higher per share price than the current average net tangible book value per share of our common stock. The dilution will be $8.98 per share in the net tangible book value of the common stock from the initial public offering price. If additional shares are sold by the underwriters following exercise of their over-allotment option, or if outstanding options or warrants to purchase shares of common stock are exercised, any shares of our common stock that you may purchase in this offering will be subject to further dilution. As a result of this dilution, in the event of a liquidation, common stockholders purchasing stock in this offering may receive significantly less than the full purchase price that they paid for the shares they purchased in this offering.

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

Upon completion of this offering, our executive officers, directors and principal stockholders will beneficially own, in total, 57.6% of our outstanding common stock. As a result, these stockholders, whose interests may be different from and may conflict with yours, will be able to influence matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. This could have the effect of delaying or preventing a change of control of our company or otherwise cause us to take action that may not be in the best interests of all stockholders, either of which in turn could reduce the market price per share of our common stock.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

USE OF PROCEEDS

We will receive net proceeds of approximately $70.4 million from the sale of 7,000,000 shares of common stock at an assumed price of 11.00 per share and an additional $10.7 million from the sale of 1,050,000 shares if the underwriters' over-allotment option is exercised in full, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

We intend to use the net proceeds of this offering primarily for additional working capital and other general corporate purposes, including in management's estimation continued investment in research and development of between $20 million and $30 million and sales and marketing expenditures of between $20 million and $30 million. The amounts and timing of these expenditures will vary depending on a number of factors, including the amount of cash generated by our operations, competitive and technological developments and the rate of growth, if any, of our business. While we have no specific plans for any remaining proceeds, we may also use a portion of the net proceeds to acquire businesses, products and technologies or to establish joint ventures that we believe will complement our current or future business. However, we have no specific plans, agreements or commitments to do so and are not currently engaged in any negotiations for any acquisition or joint venture.

Pending the uses described above, we intend to invest the net proceeds in short-term, interest bearing, investment-grade securities. We cannot predict whether the proceeds will be invested to yield a favorable return.

We may find it necessary or advisable to use portions of the net proceeds for other purposes, and our management will maintain broad discretion in the allocation of the net proceeds of this offering. You will not have the opportunity to evaluate the economic, financial or other information on which we base our decisions on how to use the proceeds. Pending our use of the net proceeds of this offering, we intend to invest the net proceeds from the offering in interest-bearing, investment grade securities.

DIVIDEND POLICY

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

CAPITALIZATION

The following table sets forth our consolidated total capitalization as of June 30, 2000. You should read this table in conjunction with "Selected Consolidated Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the notes to our financial statements appearing elsewhere in this prospectus. This information is presented:

- on an actual basis at June 30, 2000;

- on a pro forma basis at June 30, 2000 after giving effect to the automatic conversion of all the outstanding shares of our preferred stock and minority interest shares outstanding at June 30, 2000 and after giving effect to our receipt of the net proceeds of $3,305,000 from the sale in July 2000 of a total of 574,770 shares of our Series D preferred stock; and

- on a pro forma as adjusted basis to give effect to the receipt of the net proceeds from the sale by us of shares of common stock in this offering at an assumed price of $11.00 per share and after deducting underwriting discounts and commissions and offering expenses payable by us.

	JUNE 30, 2000 (UNAUDITED)		
(IN THOUSANDS)	ACTUAL	PRO FORMA	PRO FORMA AS ADJUSTED
Cash and cash equivalents	$ 32,735	$ 36,040	$115,735
Capital lease obligations, current portion	$ 70	$ 70	$ 70
Capital lease obligations, net of current portion	71	71	71
Total indebtedness	141	141	141
Convertible and redeemable minority interest	4,529	--	--
Convertible and redeemable preferred stock	45,862	--	--
Stockholders' equity (deficit):			
Preferred stock	5	--	--
Common stock	10	44	52
Additional paid in capital	35,669	89,336	169,023
Deferred stock compensation	(1,005)	(1,005)	(1,005)
Accumulated deficit	(53,258)	(53,258)	(53,258)
Total stockholders' equity (deficit)	(18,579)	35,117	114,812
Total capitalization	$ 31,953	$ 35,258	$114,953

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The common stock outstanding as shown above is based on shares outstanding as of June 30, 2000, and excludes:

- 10,252,218 shares of common stock that could be issued upon the exercise of options outstanding as of September 13, 2000;

- 10,578,543 shares of common stock that could be issued upon the exercise of warrants outstanding as of September 13, 2000;

- 6,247,782 shares of common stock that could be issued in the future under our stock option plans as of September 13, 2000;

- 1,500,000 shares of common stock that could be issued in the future under our 2000 employee stock purchase plan.

DILUTION

If you invest in our common stock, your interest will be diluted to the extent of the difference between the public offering price per share of our common stock and the pro forma as adjusted net tangible book value per share of our common stock after this offering. The pro forma net tangible book value of our common stock as of June 30, 2000 was approximately $33.9 million or $0.76 per share of common stock. Pro forma net tangible book value per share represents the dollar amount of our total tangible assets reduced by the dollar amount of our total liabilities and divided by the total number of shares of our common stock outstanding at June 30, 2000, after giving effect to the sale of shares of our Series D preferred stock on June 30, 2000 and July 14, 2000.

After giving effect to the receipt of the estimated net proceeds from this offering, based upon an assumed initial public offering price of $11.00 per share, and after deducting underwriting discounts and commissions and estimated offering expenses and the adjustments, the pro forma net tangible book value of our common stock as of June 30, 2000 would have been $104.3 million or $2.02 per share. This represents an immediate increase in net tangible book value of $1.26 per share to existing stockholders and an immediate dilution of $8.98 per share to new investors purchasing shares at the initial public offering price. The following table illustrates this per share dilution:

Estimated initial public offering price per share.....		$11.00
Pro forma net tangible book value per share as of June 30, 2000.....	$0.76	
Increase per share attributable to new investors.....	1.26	
Pro forma as adjusted net tangible book value after the offering.....		2.02
As adjusted dilution per share to new investors.....		$ 8.98

Assuming the exercise in full of the underwriters' over-allotment option, our pro forma as adjusted net tangible book value at June 30, 2000 would have been approximately $2.18 per share, representing an immediate increase in net tangible book value of $1.42 per share to our existing stockholders and an immediate and substantial dilution in net tangible book value of $8.82 per share to new investors.

The following table summarizes, at June 30, 2000, on a pro forma basis, the total number of shares purchased from us, and consideration paid to us and the average price per share paid by existing holders of common stock and by new investors purchasing shares of common stock in this offering at an assumed initial public offering price of $11.00 per share, before deducting the estimated underwriting discounts and commissions and offering expenses:

	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE
	NUMBER	PERCENT	AMOUNT	PERCENT	PER SHARE
Existing stockholders.....	44,593,000	86.4%	$ 82,310,000	51.7%	$ 1.85
New investors.....	7,000,000	13.6	77,000,000	48.3	$11.00
Total.....	51,593,000	100%	$159,310,000	100.0%	

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

- 10,252,218 shares of common stock that could be issued upon the exercise of options outstanding as of September 13, 2000;

- 10,578,543 shares of common stock that could be issued upon exercise of warrants outstanding as of September 13, 2000;

- 6,247,782 shares of common stock that could be issued in the future under our stock option plans as of September 13, 2000; and

- 1,500,000 shares of common stock that could be issued in the future under our 2000 employee stock purchase plan.

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

SELECTED FINANCIAL DATA

You should read the following selected financial data in conjunction with our consolidated financial statements and notes to our consolidated financial statements and with "Management's Discussion and Analysis of Financial Condition and Results of Operations," which are included elsewhere in this prospectus. The consolidated statement of operations data for each of the years ended December 31, 1997, 1998 and 1999, and the balance sheet data at December 31, 1998 and 1999 are derived from our consolidated financial statements which have been audited by Arthur Andersen LLP and which are included elsewhere in this prospectus. The consolidated statement of operations data for the period from inception to December 31, 1996 and the balance sheet data at December 31, 1996 and 1997 are derived from audited consolidated financial statements not included in this prospectus. The consolidated balance sheet data at June 30, 1999 is derived from unaudited consolidated financial statements not included in this prospectus. The consolidated balance sheet data at June 30, 2000 is derived from unaudited consolidated financial statements included elsewhere in this prospectus. See notes 4 and 14 of the notes to consolidated financial statements for an explanation of the number of shares used to compute net loss per share and pro forma net loss per share. The historical financial information may not be indicative of our future performance and results of interim periods may not be indicative of results that may be expected for any other interim period or for the year as a whole.

	PERIOD FROM APRIL 26, 1996 (INCEPTION) TO DECEMBER 31, 1996	YEAR ENDED DECEMBER 31,			SIX MONTHS ENDED JUNE 30,	
		1997	1998	1999	1999	2000
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)					(UNAUDITED)	
CONSOLIDATED STATEMENT OF OPERATIONS DATA:						
Revenue	$ 277	$ 3,354	$ 5,378	$ 9,556	$ 2,095	$ 15,931
Cost of revenue	168	1,136	3,433	11,955	2,528	18,014
Gross margin	109	2,218	1,945	(2,399)	(433)	(2,083)
Operating expenses:						
Research and development	2,650	2,715	2,333	3,717	1,035	5,203
Sales and marketing	256	2,058	2,685	4,480	1,379	6,472
General and administrative	656	1,944	2,611	4,663	1,814	2,454
Total operating expenses	3,562	6,717	7,629	12,860	4,228	14,129
Loss from operations	(3,453)	(4,499)	(5,684)	(15,259)	(4,661)	(16,212)
Other income (expense) net	(9)	23	178	(3,210)	24	276
Net loss	$ (3,462)	$ (4,476)	$ (5,506)	$ (18,469)	$ (4,637)	$ (15,936)
Net loss per common share:						
Basic and diluted	$ (0.37)	$ (0.51)	$ (0.69)	$ (2.04)	$ (0.55)	$ (1.80)
Weighted average shares outstanding	9,711,630	9,711,630	9,711,630	9,728,421	9,715,023	10,088,661
Pro forma net loss per share (unaudited)(1):						
Basic and diluted				$ (0.73)	$ (0.20)	$ (0.41)
Weighted average shares outstanding				27,199,269	27,155,673	43,869,522

(IN THOUSANDS)	DECEMBER 31, 1996	1997	1998	1999	JUNE 30, 2000 (UNAUDITED)
CONSOLIDATED BALANCE SHEET DATA:					
Cash and cash equivalents	$ 1,262	$ 1,927	$ 3,497	$ 25,455	$ 32,735
Working capital	274	937	3,383	15,769	26,969
Total assets	3,065	3,879	6,184	38,118	55,254
Long-term obligations, net of current portion	--	--	--	106	71
Convertible and redeemable preferred stock	4,316	9,769	14,812	43,805	45,862
Preferred stock	--	--	--	--	5
Common stock	10	10	10	10	10
Accumulated deficit	(3,462)	(7,937)	(15,249)	(35,122)	(53,258)
Stockholders' equity (deficit)	(752)	(1,100)	(14,625)	(31,128)	(18,579)

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

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

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

OVERVIEW

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

Since our inception, we have incurred substantial costs to develop our technology and products, to recruit and train personnel for our product development, sales and marketing and professional services departments, and to establish our administrative infrastructure. Historically, our operating expenses have exceeded the revenue generated by our products and services. As a result, we have incurred net operating losses in each quarter since inception and had an accumulated deficit of $53.3 million as of June 30, 2000. In addition, we have increased our number of employees and independent contractors from 56 as of December 31, 1998 to 248 as of September 1, 2000.

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

Revenue. Our revenue has been generated from the sale of wireless modems to wireless telecommunications operators, wireless data content and service providers, resellers and OEM customers. We also generate revenue from the systems activation and integration services we provide prior to shipping; through June 30, 2000, such revenue has not been significant. Revenue from product sales and services is recognized upon the latter of transfer of title or upon shipment of the product to the customer or upon rendering activation and integration services, if applicable. Revenues from long-term supply contracts are recognized as products are shipped to customers over the period of the contract. We recognize revenue under contract research and development agreements when certain criteria stipulated under the terms of those agreements have been met. We record deferred revenue for cash payments received from customers in advance of the revenue recognition criteria being met. We grant price protection provisions to certain customers and we track pricing and other terms offered to customers buying similar products to assess compliance with these provisions. We establish reserves for estimated product returns and warranty allowances in the period in which revenue is recognized.

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

Gross Margin. Our overall gross margin, or revenue less cost of revenue, may fluctuate from quarter to quarter as a result of the availability and costs of components, shifts in product mix, the proportion of

direct and indirect sales, anticipated decreases in average selling prices and our ability to manage manufacturing costs.

We have reported negative gross margins since our margins are at or near break-even levels based on contracted purchase and sales prices, but our cost of revenues includes costs to support operations well in excess of our current revenue and units processed in anticipation of future growth. We consider these excess capacity costs to be a period expense rather than a capitalizable inventory cost, and we account for them accordingly.

Research and Development. Our research and development expenses consist of employee compensation, related personnel expenses, consultant fees and prototype expenses related to the design, development, testing and enhancement of our products. Our research and development costs are expensed as incurred. We believe that continued investment in research and development is critical to achieving our strategic product development and cost reduction objectives and, as a result, expect these expenses to continue to increase significantly in absolute dollars in the future.

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

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

Stock-Based Compensation Expense. We recorded cumulative deferred compensation expense of $1.6 million as a result of stock options granted below fair value for accounting purposes through June 30, 2000. This amount represents the difference between the exercise price of these stock option grants and the estimated fair value of the underlying common stock at the time of grant. Of this amount, we have amortized approximately $594,000 through June 30, 2000. The remaining $1,006,000 will be amortized over the remaining vesting period of the options, which is generally four years.

RESULTS OF OPERATIONS

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

	YEAR ENDED DECEMBER 31,			SIX MONTHS ENDED JUNE 30,	
	1997	1998	1999	1999	2000
	(AS A PERCENT OF REVENUE)				
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of revenue	33.9	63.8	125.1	120.7	113.1
Gross margin	66.1	36.2	(25.1)	(20.7)	(13.1)
Operating expenses:					
Research and development	80.9	43.4	38.9	49.4	32.7
Sales and marketing	61.4	49.9	46.9	65.8	40.6
General and administrative	58.0	48.5	48.8	86.6	15.4
Total operating expenses	200.3	141.8	134.6	201.8	88.7
Loss from operations	(134.2)	(105.6)	(159.7)	(222.5)	(101.8)
Interest income	0.7	3.3	0.5	1.2	1.8
Interest expense	--	--	(34.2)	--	(0.1)
Other, net	--	--	0.1	--	--
Net loss	(133.5)%	(102.3)%	(193.3)%	(221.3)%	(100.1)%

SIX MONTHS ENDED JUNE 30, 2000 COMPARED TO SIX MONTHS ENDED JUNE 30, 1999

Revenue. Revenue for the six months ended June 30, 2000 increased $13.8 million, or 660%, to $15.9 million compared to $2.1 million for the same period in 1999. In 2000, sales of existing products increased by $7.1 million due to the overall increase in demand for wireless products. New products contributed to the overall sales increases by $6.7 million with the introduction of the Expedite Wireless Modem in April 1999, the Merlin Type II Wireless Modem in August 1999 and the Minstrel V Wireless Modem in October 1999.

Cost of Revenue. Our cost of revenue for the six months ended June 30, 2000 increased $15.5 million, or 613%, to $18.0 million compared to $2.5 million in the same period in 1999. The increase in cost of revenue was primarily the result of increased sales of existing products (approximately $5.9 million), costs associated with the production and sales of new products (approximately $6.0 million) and costs associated with increasing our operating capacity.

Gross Margin. Our gross margin for the six months ended June 30, 2000 decreased by $1.7 million, or 381%, to negative $2.1 million compared to negative $433,000 in the same period in 1999.

Research and Development. Our research and development expenses for the six months ended June 30, 2000 increased $4.2 million, or 403%, to $5.2 million compared to $1.0 million in the same period in 1999. The increase was due to an increase in the number of personnel and to an increase in the number of projects in development.

Sales and Marketing. Sales and marketing expenses for the six months ended June 30, 2000 increased $5.1 million, or 369%, to $6.5 million compared to $1.4 million in the same period in 1999. The increase was the result of increased personnel expenses of $2.0 million, expanded advertising expenses of $911,000, increased participation in trade shows resulting in a $457,000 increase and increased expenditures to support new products and expand distribution channels.

General and Administrative. General and administrative expenses for the six months ended June 30, 2000 increased $700,000, or 39%, to $2.5 million compared to $1.8 million in the same period in 1999. The increase was primarily the result of increased headcount. Included in general and administrative expenses is $259,000 of non-cash stock-based compensation expense (the difference between the exercise price of options granted and the estimated fair value of the common stock underlying those options on the date of grant) in 2000 compared to $138,000 in 1999.

Interest Income. Interest income for the six months ended June 30, 2000 increased $265,000 to $290,000 compared to $25,000 in 1999. The increase was due to income on the proceeds from the Series C financing which closed on December 31, 1999.

Net Loss. The net loss for the six months ended June 30, 2000 increased $11.3 million, or 243%, to $15.9 million compared to $4.6 million in 1999.

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

Revenue. Revenue for 1999 increased $4.2 million, or 78%, to $9.6 million compared to $5.4 million in 1998. In 1999, sales of existing products increased by $1.5 million due to the overall increase in demand for wireless products. New products also contributed to the overall sales by $3.3 million with the introduction of the Expedite Wireless Modem in April 1999 and the Merlin Type II Wireless Modem in August 1999. This increase is partially offset by a decrease of $650,000 in license revenue during 1999 compared to 1998.

Cost of Revenue. Our cost of revenue for 1999 increased $8.5 million, or 248%, to $12.0 million compared to $3.4 million in 1998. The increase in cost of revenue was primarily the result of increased sales of existing products (approximately $1.4 million), costs associated with the production and sales of new products (approximately $4.8 million) and costs associated with changing manufacturers and moving production during the year (approximately $1.0 million). Prior to 1999, we used offshore contract manufacturers. In the first quarter of 1999, our principal manufacturer experienced financial difficulties as a result of the general downturn in the Asian economies and, as a result, ceased production of our finished

goods. To maintain production levels in the short-term, we and our new manufacturer were forced to purchase raw materials for immediate delivery at premium prices.

Gross Margin. Gross margin for 1999 decreased by $4.3 million, or 223%, to negative $2.4 million compared to $1.9 million in 1998.

Research and Development. Research and development expenses for 1999 increased $1.4 million, or 59%, to $3.7 million compared to $2.3 million in 1998. The increase was primarily due to an increase in personnel expenses of $703,000 and an increase in expenses relating to projects in development of $697,000.

Sales and Marketing. Sales and marketing expenses for 1999 increased $1.8 million, or 67%, to $4.5 million compared to $2.7 million in 1998. The increase was the result of increased personnel expenses of $1.1 million, expanded advertising expenses of $388,000 and expenditures to support new products and to expand our distribution channels resulting in a $171,000 increase.

General and Administrative. General and administrative expenses for 1999 increased $2.1 million, or 79%, to $4.7 million compared to $2.6 million in 1998. This increase was due to an increase in the number of personnel from 1998 to 1999 resulting in a $434,000 increase, our relocation of the administrative functions from Calgary to San Diego which amounted to an increase of $750,000 and an increase in professional fees of $440,000. We recorded $220,000 in non-cash compensation expense (the difference between the exercise price of options granted and the estimated fair value of the common stock underlying those options on the date of grant) in 1999 compared to $115,000 in 1998.

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

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

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

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

Revenue. Revenue for 1998 increased $2.0 million, or 60%, to $5.4 million compared to $3.4 million in 1997. In 1998, sales of existing products increased by $800,000 due to the overall increase for wireless products. New products also contributed to the overall sales by $2.5 million with the introduction of the original Minstrel, Sage and Contact products in late 1997. This increase is partially offset by a decrease of $1.3 million in license revenue during 1998 compared to 1997.

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

Gross Margin. Gross margin for 1998 decreased by $300,000, or 12%, to $1.9 million compared to $2.2 million in 1997.

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

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

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

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

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

SELECTED QUARTERLY RESULTS OF OPERATIONS

The following table sets forth our historic unaudited quarterly consolidated statements of operations data for each of the ten fiscal quarters ended June 30, 2000, and such information expressed as a percentage of our revenue. This unaudited quarterly information has been prepared on the same basis as the annual audited financial statements appearing elsewhere in this prospectus, and includes all necessary adjustments, consisting only of normal recurring adjustments, that we consider necessary to present fairly the financial information for the quarters presented. The quarterly data should be read in conjunction with the audited consolidated financial statements and the notes thereto appearing elsewhere in this prospectus.

	QUARTER ENDED							
	MARCH 31, 1998	JUNE 30, 1998	SEPT.30, 1998	DEC.31, 1998	MARCH 31, 1999	JUNE 30, 1999	SEPT.30, 1999	DEC.31, 1999
	(IN THOUSANDS)							
CONSOLIDATED STATEMENTS OF OPERATIONS DATA:								
Revenue	$ 1,285	$ 1,732	$ 1,275	$ 1,086	$ 1,273	$ 822	$ 3,825	$ 3,636
Cost of revenue	626	1,290	787	730	1,076	1,452	2,594	6,833
Gross margin	659	442	488	356	197	(630)	1,231	(3,197)
Operating expenses:								
Research and development	536	551	480	766	457	578	891	1,791
Sales and marketing	640	507	799	739	391	988	1,175	1,926
General and administrative	425	644	431	1,111	878	936	1,957	892
Total operating expense	1,601	1,702	1,710	2,616	1,726	2,502	4,023	4,609
Loss from operations	(942)	(1,260)	(1,222)	(2,260)	(1,529)	(3,132)	(2,792)	(7,806)
Interest income	17	25	37	99	17	8	8	15
Interest expense	--	--	--	--	--	--	(1,268)	(2,000)
Other, net	--	--	--	--	(1)	--	--	11
Net loss	$ (925)	(1,235)	(1,185)	$(2,161)	$(1,513)	$(3,124)	$(4,052)	$(9,780)
AS A PERCENTAGE OF REVENUE:								
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of revenue	48.7	74.5	61.7	67.2	84.5	176.6	67.8	187.9
Gross margin	51.3	25.5	38.3	32.8	15.5	(76.6)	32.2	(87.9)
Operating expenses:								
Research and development	41.7	31.8	37.6	70.5	35.9	70.3	23.3	49.3
Sales and marketing	49.8	29.3	62.7	68.0	30.7	120.2	30.7	53.0
General and administrative	33.1	37.2	33.8	102.3	69.0	113.9	51.2	24.5
Total operating expense	124.6	98.3	134.1	240.8	135.6	304.4	105.2	126.8
Loss from operations	(73.3)	(72.8)	(95.8)	(208.0)	(120.1)	(381.0)	(73.0)	(214.7)
Interest income	1.3	1.4	2.9	9.1	1.3	1.0	0.2	0.4
Interest expense	--	--	--	--	--	--	(33.2)	(55.0)
Other, net	--	--	--	--	--	--	--	0.3
Net loss	(72.0)%	(71.4)%	(92.9)%	(198.9)%	(118.8)%	(380.0)%	(106.0)%	(269.0)%

	QUARTER ENDED	
	MARCH 31, 2000	JUNE 30, 2000
	(IN THOUSANDS)	
CONSOLIDATED STATEMENTS OF OPERATIONS DATA:		
Revenue	$ 6,837	$ 9,094
Cost of revenue	7,865	10,149
Gross margin	(1,028)	(1,055)

Operating expenses:		
Research and development	2,076	3,127
Sales and marketing	2,319	4,153
General and administrative	1,066	1,388
Total operating expense	5,461	8,668
Loss from operations	(6,489)	(9,723)
Interest income	215	75
Interest expense	(11)	(9)
Other, net	17	(11)
Net loss	$(6,268)	$(9,668)
AS A PERCENTAGE OF REVENUE:		
Revenue	100.0%	100.0%
Cost of revenue	115.0	111.6
Gross margin	(15.0)	(11.6)
Operating expenses:		
Research and development	30.4	34.4
Sales and marketing	33.9	45.7
General and administrative	15.6	15.3
Total operating expense	79.9	95.4
Loss from operations	(94.9)	(107.0)
Interest income	3.1	0.8
Interest expense	(0.2)	(0.1)
Other, net	0.2	(0.1)
Net loss	(91.8)%	(106.4)%

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

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

LIQUIDITY AND CAPITAL RESOURCES

Since our inception, we have funded our operations primarily through private sales of our equity securities and the issuance of debt instruments, and to a lesser extent, capital lease arrangements and borrowings under various lines of credit. To date, net proceeds from these transactions have totaled approximately $81.0 million. These transactions included the sale between August 1996 and December 1997 of preferred stock for total proceeds of approximately $4.8 million, the sale between December 1997 and September 1998 of preferred stock and warrants to purchase common stock for total proceeds of approximately $8.9 million, the sale in June and July 1999 of convertible subordinated debentures and warrants to purchase shares of our common stock in the total original principal amount of approximately $3.1 million, the sale in December 1999 of preferred stock and warrants to purchase common stock for total proceeds of approximately $30.6 million and the sale in June and July 2000 of preferred stock and warrants to purchase common stock for total proceeds of approximately $33.9 million. All the preferred stock will automatically convert into shares of our common stock immediately prior to the completion of this offering. See "Related Party Transactions" for more information about these transactions. At June 30, 2000 we had approximately $32.7 million in cash and cash equivalents.

For the years ended December 31, 1997, 1998 and 1999, we used net cash in operating activities of $3.5 million, $5.0 million and $5.2 million, respectively. Our operating activities included major uses of cash to fund our 1999 net loss of $18.5 million which included a $3.3 million non-cash charge for interest expenses related to the warrants we issued with our convertible subordinated debentures. During 1999, we used cash in operating activities by purchasing inventory in the amount of $4.7 million which was later transferred to our contract manufacturer and classified as due from contract manufacturer on the consolidated balance sheet. Additionally, we use cash by increasing inventories by $4.1 million and accounts receivable by $900,000, and generated cash flows by increasing accounts payable and accrued expenses by approximately $11.0 million and our deferred revenue increased by $8.1 million. Substantially all of the increase in deferred revenue represents cash received from customers for advanced payments under long-term supply contracts. Our net cash used in operating activities in the first six months of 2000 amounted to $19.2 million.

Our net cash used in investing activities in 1999 was $600,000, which was primarily for purchases of property and equipment. Our net cash used in investing activities in 1997 and 1998 was $800,000 and $300,000, respectively, and $3.9 million during the six months ending June 30, 2000, and was also primarily for purchases of property and equipment. These capital expenditures were primarily investments for equipment to test our products and to support our business.

Cash provided from financing activities, consisting primarily of net proceeds from the sale of our equity securities, was approximately $4.7 million for the year ending December 31, 1997, $7.2 million for the year ending December 31, 1998, $27.7 million for the year ending December 31, 1999 and $30.4 million during the six months ending June 30, 2000.

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

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

RECENT ACCOUNTING PRONOUNCEMENTS

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

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

YEAR 2000 COMPLIANCE

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

BUSINESS

OVERVIEW

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

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

- The Minstrel line of Wireless Modem cradles, for the Palm family of handheld computing devices and the Casio E-15 Windows Pocket PC handheld device;
- The Merlin Type II PC Card for portable and desktop PCs;
- The Sage Wireless Modem for portable and desktop PCs;
- The NRM-6812 and Expedite Wireless OEM Modems for custom integration with computers and other devices; and
- The Lancer 3W Wireless Modem for vehicle-mounted applications.

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

INDUSTRY BACKGROUND

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

Growth in Mobile Computing

Competition and productivity demands are requiring an increasing number of professionals to maintain remote and mobile access to the Internet, e-mail and enterprise networks. International Data Corporation forecasts that the remote and mobile workforce in the United States, defined as employees spending more than 20% of their time on the job away from the office, will grow from 34 million individuals at the end of 1998 to 47 million at the end of 2003. This trend towards mobile computing has led to the increased use of handheld computing devices and portable PCs both on the road and in the office. International Data Corporation projects that worldwide shipments of handheld companions will grow from approximately 4 million in 1998 to approximately 19 million units in 2003, and that portable PC shipments will grow from approximately 16 million in 1998 to approximately 35 million in 2003.

Growth in Wireless Communications

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

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

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

Growth in the Internet and Enterprise Networks

The Internet has emerged as a global communications medium enabling millions of people to deliver and share information and conduct business electronically. The development of applications for the digital delivery of products and services such as news, weather, stock quotes and trading, books, music, driving directions and lifestyle information is increasing the everyday use of the Internet. International Data Corporation estimates that the number of worldwide Internet users will grow from approximately 144 million in 1998 to 602 million by the end of 2003. This dramatic growth has led to a proliferation of information and services available on or through the Internet. As access speed and the breadth of applications for the Internet increase, we believe the Internet is quickly becoming a necessary medium for information access, commerce and communication.

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

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

The increase in demand for "anytime, anywhere" access is driving the convergence of mobile computing, wireless communications and the Internet and enterprise networks, creating new opportunities for wireless data products and services. We have designed our wireless products to capitalize on these opportunities and to afford increased mobile access to enterprise networks and the Internet. Although there can be no assurances that the estimates of International Data Corporation or DataQuest will be achieved or that we will realize similar growth, we believe that demand for wireless data applications will continue

to increase as wireless data network coverage, bandwidth and security improve to allow higher quality service. New wireless technologies that enable high speed access to the Internet allow service providers to offer end-users greater access to a vast array of services and content. These offerings are expected to increase usage, attract new customers and improve customer loyalty. Dataquest estimates that the number of wireless data subscribers worldwide will grow from approximately 14 million at the end of 1998 to approximately 102 million by the end of 2003.

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

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

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

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

OUR SOLUTION

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

Breadth of Wireless Access Products

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

Price Performance Leadership

We have designed our products to provide high levels of performance and functionality at an attractive price to drive widespread adoption among users. We use software solutions where others still use

hardware and we build our products around a core common hardware and software platform. As a result, we are able to offer products which present a substantially better value proposition than do other wireless data access products with similar functionality.

Convenience

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

Productivity

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

Customized Solutions

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

OUR STRATEGY

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

Extend Our Technology Leadership

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

Drive Widespread Adoption of Our Products and Increased Market Penetration

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

Expand and Develop Strategic Relationships

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

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

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

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

Continue to Target Key Vertical Markets

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

Focus on Developing Value-added Applications

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

PRODUCTS

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

The following table describes our principal product lines:

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

Wireless Cradle Devices

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

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

Wireless PC Cards and Modems

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

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

OEM Products and Devices

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

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

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

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

CURRENT WIRELESS TECHNOLOGY

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

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

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

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

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

Metricom. Metricom designs, provisions and operates digital networks and services for mobile users. Metricom's Ricochet network, which is based upon modified CDPD network technology, works by broadcasting signals back and forth from transceivers mounted on utility poles to small radio modems connected to subscribers' computers. Ricochet is generally available at speeds up to 28.8 Kbps in the greater San Francisco Bay Area, Seattle, Washington DC, selected areas of New York City and selected airports and college campuses. Metricom is currently under construction in 21 major service areas to bring

its higher speed Ricochet II 128 Kbps network to market, and ultimately expects to deploy a network in 46 markets covering 100 million in population.

EMERGING STANDARDS

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

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

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

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

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

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

OUR TECHNOLOGY FOCUS

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

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

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

CUSTOMERS

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

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

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

Each of the customers listed in the table above has accounted for at least $50,000 in revenue to us since January 1, 1999. OmniSky, @Road and Global Wireless Data accounted for 20.4%, 22.0% and 9.3% of our revenue, respectively, for the six months ended June 30, 2000. @Road, OmniSky and Global Wireless Data accounted for 22.7%, 22.4% and 7.3% of our revenue, respectively, for the year ended December 31, 1999.

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

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

reach. Our carrier customers also provide us and our customers with important services, including field trial participation, first-tier technical support, wireless data marketing and access to additional indirect distribution channels. To leverage these services, we provide carriers with early access to new products, technical training and co-marketing resources.

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

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

STRATEGIC ALLIANCES

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

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

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

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

Symbol Technologies, Inc. Symbol is a manufacturer of bar code-driven data transaction systems and is engaged in the design, manufacture and marketing of bar code reading equipment, handheld computers and radio frequency (RF) data communications systems. In March 2000, we entered into an agreement with Symbol to integrate our Merlin OEM CDPD modems into Symbol's radio frequency data communications systems.

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

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

SALES AND MARKETING

As of August 31, 2000, our sales and marketing organization consisted of 60 employees, including those located in six sales offices throughout the United States.

Sales

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

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

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

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

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

Marketing

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

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

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

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

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

- engaging in cooperative marketing programs and partnerships.

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

PRODUCT DEVELOPMENT

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

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

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

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

For the six months ended June 30, 2000, our research and development expense totaled $5.2 million. Our research and development expense totaled approximately $3.7 million for the year ended December 31, 1999, $2.3 million for the year ended December 31, 1998 and $2.7 million for the year ended December 31, 1997. As of August 31, 2000, we had 151 engineering and technical professionals in product development and manufacturing, which includes purchasing, fulfillment, quality assurance, quality control, reliability, technical documentation and technical publication.

MANUFACTURING

We currently have agreements to outsource our manufacturing operation with Sanmina Corporation, GVC Corporation and Solectron de Mexico, S.A. de C.V. In September 1999, April 2000, and August 2000, we entered into agreements with Sanmina, GVC and Solectron, respectively, for the manufacture of our products. The Sanmina and GVC agreements are for a term of two years, and the Solectron agreement is for a term of one year with automatic successive one-year renewals. Under the agreements, Sanmina, GVC and Solectron provide all component procurement, product manufacturing, final assembly, testing, quality control and delivery services for us. Under these agreements, we are required to provide

each manufacturer with firm purchase orders covering a minimum period of three months. Recently, we moved our principal manufacturing operations from Sanmina's facility in Calgary, Canada to its facility in Guntersville, Alabama. We expect GVC and Solectron to begin manufacturing some of our products at their facilities in Taiwan and Mexico, respectively, in the near future.

Our outsourced manufacturing activity allows us to:

- focus on our core competencies;

- minimize our capital expenditures;

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

- access best-in-class manufacturing resources; and

- operate without dedicating any space to manufacturing operations.

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

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

GOVERNMENT REGULATION

Our products are subject to certain mandatory regulatory approvals. In the United States, the FCC regulates many aspects of communications devices, including radiation of electromagnetic energy, biological safety and rules for devices to be connected to the telephone networks. Radio frequency devices, which includes our modems, must be approved under the above regulations by obtaining FCC equipment authorization prior to being offered for sale. FCC equipment authorization is obtained by submitting a technical description of the product and report showing compliance with FCC technical standards. We have obtained from the FCC all necessary equipment authorization for all products we currently manufacture and sell.

COMPETITION

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

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

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

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

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

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

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

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

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

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

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

PROPRIETARY TECHNOLOGY

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

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

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

incorporate the CDMA technology licensed to us by QUALCOMM. This license allows QUALCOMM to make, use, sell or dispose of such products and the components therein.

We primarily rely on a combination of copyright, trade secret and trademark laws, and nondisclosure and other contractual restrictions on copying and distribution to protect our proprietary technology. In addition, as part of our confidentiality procedures, we generally enter into nondisclosure agreements with our employees, consultants, distributors and corporate partners and limit access to and distribution of our software, documentation and other proprietary information. It may be possible for a third party to copy or otherwise obtain and use our products or technology without authorization, or to develop similar technology. In addition, our products are licensed in foreign countries and the laws of such countries may treat the protection of proprietary rights differently from and may not protect our proprietary rights to the same extent as do laws in the United States.

EMPLOYEES

As of August 31, 2000, we had a total of approximately 248 employees, including 60 in sales and marketing, 151 in engineering, manufacturing, research and development and 37 in general and administrative functions. Our future performance depends, in significant part, upon our ability to attract new personnel and retain existing personnel in key areas including engineering, technical support and sales. Competition for personnel is intense, especially in the San Diego area where we are headquartered, and we cannot be sure that we will be successful in attracting or retaining personnel in the future. Our employees are not represented by any collective bargaining unit, and we consider our relationship with our employees to be good.

LEGAL PROCEEDINGS

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

FACILITIES

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

MANAGEMENT

EXECUTIVE OFFICERS AND DIRECTORS

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

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

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(1) Member of Audit Committee

(2) Member of Compensation Committee

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

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

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

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

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

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

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

H.H. Haight has served as a director of our company since August 1996. Mr. Haight is President, Chief Executive Officer and founder of Argo Global Capital, Inc., the entity that manages GSM Capital Limited Partnership, a venture capital firm. Prior to founding Argo Global Capital, Inc., Mr. Haight was a Managing Director and co-founder of Advent International, a venture capital firm, from June 1983 to June

1998. Mr. Haight also currently serves as a director of Coast Mountain Hardwoods, a lumber concern, Genelabs Technologies, Inc., a pharmaceutical company, Saraide, a wireless service provider, and several other private companies. Mr. Haight received a Bachelor of Science degree from the University of California at Berkeley and a Master of Business Administration degree from Harvard University.

David S. Oros has served as a director of our company since July 2000. In 1996, Mr. Oros founded Aether Systems, Inc., a provider of wireless data services and systems for wireless handheld devices, and has been Aether's Chairman, Chief Executive Officer and President since its inception. Mr. Oros also serves on the board of directors of OmniSky Corporation, which offers a wireless service for use on handheld mobile devices. From 1994 until 1996, Mr. Oros was President of NexGen Technologies, L.L.C., a wireless software development company that contributed all of its assets to Aether. From 1992 until 1994, he was President of the Wireless Data Group at Westinghouse Electric Company. Prior to that, Mr. Oros spent from 1982 until 1992 at Westinghouse Electric directing internal research and managing large programs in advanced airborne radar design and development. Mr. Oros received a Bachelor of Science degree in mathematics and physics from the University of Maryland and holds a U.S. patent for a multi-function radar system.

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

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

BOARD COMPOSITION

We currently have authorized eight directors. Our amended and restated certificate of incorporation provides for a classified board of directors that consists of three classes of directors, each serving staggered three year terms. As a result, a portion of the board of directors will be elected each year. The three classes will be as nearly equal in number as possible, as determined by the board of directors. The Class I directors will serve an initial term until the annual meeting of stockholders to be held in 2001, the Class II directors will serve an initial term until the annual meeting of stockholders to be held in 2002, and the Class III directors will serve an initial term until the annual meeting of stockholders to be held in 2003. Each class will be elected for three-year terms following its respective initial term. Messrs. Gibb and Haight have been designated Class I directors whose terms expire at the 2001 meeting of stockholders. Messrs. Rossi and Sherman have been designated Class II directors whose terms expire at the 2002 annual meeting of stockholders. Messrs. Getz, Major and Oros have been designated Class III directors whose terms expire at the 2003 annual meeting of stockholders. At each annual meeting of stockholders, directors will be elected by the holders of common stock to succeed those directors whose terms are expiring. Any

additional directorships resulting from an increase in the number of directors will be distributed among the three classes of directorships so that, as nearly as possible, each class will consist of one-third of the total number of directors. This classification of our board of directors may have the effect of delaying or preventing changes in control of our company or in our management. See "Description of Securities -- Delaware Antitakeover Law and Charter and Bylaw Provisions." The executive officers are elected by and serve at the discretion of our board of directors. Our non-employee directors devote such time to the affairs of our company as is necessary to discharge their duties. There are no family relationships among any of our directors or our executive officers.

BOARD COMMITTEES

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

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

DIRECTOR COMPENSATION

Directors do not currently receive any cash compensation from us for attending board of directors or committee meetings, except for reimbursement of reasonable expenses incurred in connection with attending those meetings. Directors who are employees of ours are eligible to participate in our 2000 stock incentive plan and our 2000 employee stock purchase plan. Non-employee directors who join our board after this offering are eligible to participate in our 2000 stock incentive plan. Our 2000 stock incentive plan and our 2000 employee stock purchase plan were adopted by our board on July 24, 2000 and will be approved by our stockholders prior to the consummation of this offering. Our 2000 stock incentive plan generally provides for an automatic initial grant of options to purchase 20,000 shares of our common stock to each non-employee director on the date on which a person first becomes a non-employee director of our company. After the initial grant, a non-employee director will be granted each year on the date of our annual meeting of stockholders a subsequent option to purchase 5,000 shares of our common stock, if he or she continues to serve after such annual meeting and if he or she received an initial stock option grant. These options vest over a four-year period with 25% of the option shares vesting on the first anniversary of the date of grant and the remainder vesting in 36 equal monthly installments, with accelerated vesting in the event of certain changes of control. Non-employee directors receive grants solely at the discretion of the compensation committee. The exercise price of options will be 100% of the fair market value per share of our common stock on its date of grant. For an additional description of these option plans, please refer to our discussion under "Compensation Plans."

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

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

EXECUTIVE COMPENSATION

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

In July 2000, Mr. Major was appointed as our Chief Executive Officer. His annual base salary is $325,000. In September 1999, Mr. Weitzner joined us as our Vice President of Operations and Research and Development. His annualized salary for 1999 was $220,000. Mr. Weitzner's employment was terminated in July 2000. In July 2000, Mr. Schlief was appointed as our Vice President of Operations. His annual salary is $225,000, and he received a one time sign-on bonus of $28,000. In February 2000, Mr. Flowers was appointed as our Chief Financial Officer. Effective August 2000, his annual salary is $200,000.

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

SUMMARY COMPENSATION TABLE

			LONG-TERM COMPENSATION AWARDS
	ANNUAL COMPENSATION		SECURITIES
NAME AND PRINCIPAL POSITION	SALARY	BONUS	UNDERLYING OPTIONS
Robert Corey(1)..... Chief Executive Officer	$200,000	$50,000	--
Ambrose Tam(2)..... President, Chief Operating Officer and Chief Technology Officer	161,195	48,162	--
Bruce Gray..... Senior Vice President, Sales and Marketing	141,750	--	150,000
Roger Hartman(1)..... Chief Financial Officer and Vice President	157,225	20,000	--
James Palmer(1)..... Vice President, Operations and Research & Development	179,815	--	--

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

(2) Mr. Tam's annual salary compensation in 1999 was (Canadian) $238,568, and his annual bonus compensation in 1999 was (Canadian) $71,280. The amount shown is based on the daily Noon Buying Rate of (Canadian) $1.48 per (US) $1.00 on September 8, 2000.

OPTION GRANTS IN FISCAL YEAR 1999

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

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

	INDIVIDUAL GRANTS					POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM	
NAME	DATE OF GRANT	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE OR BASE PRICE PER SHARE	EXPIRATION DATE	5%	10%
Bruce Gray.....	October 25, 1999	150,000	17.83%	$0.95	October 24, 2009	$ 89,932	$227,905
John Weitzner.....	August 18, 1999	225,000	26.74%	$0.95	August 17, 2009	$134,898	$341,858

In 1999, we granted options to purchase up to a total of 841,500 shares to employees, directors and consultants under our 1997 employee stock option plan at an exercise price equal to the fair market value of our common stock on the date of grant, as determined in good faith by our board of directors.

Mr. Gray's options began to vest on January 1, 2000. The options vest over a four-year period, with 25% of the option shares vesting on the first anniversary of the date of grant, and the remaining shares vesting in equal monthly installments over the 36-month period following that date. The vesting of the options will immediately accelerate upon a sale or merger of our company. Mr. Weitzner's options began to vest on September 1, 1999. In July 2000, Mr. Weitzner ceased to be an employee of our company. As of July 25, Mr. Weitzner held options to purchase 225,000 shares of our common stock at an exercise price of $0.95 per share, none of which had vested.

In July 2000, Mr. Major was appointed Chief Executive Officer, and we granted Mr. Major options to purchase 3,036,543 shares of common stock at an exercise price of $5.00 per share. The option shares will vest and become exercisable as follows: 607,308 option shares are immediately exercisable; 379,569 option shares vest and become exercisable on July 24, 2001; 379,569 option shares vest and become exercisable on July 24, 2002; and 303,654 option shares vest and become exercisable on each July 24 of 2001, 2002, 2003 and 2004. In addition, 455,481 option shares shall vest and become exercisable on the earlier to occur of (1) our attaining certain milestones before December 31, 2000 and (2) with respect to 227,748 option shares, on July 24, 2003 and with respect to another 227,748 option shares, on July 24, 2004. The vesting of the option shares will immediately accelerate upon a change in control of our company. The options expire on the first to occur of 6 months after termination (in the event of termination of Mr. Major's employment by death or disability), 90 days after termination (in the event of termination of Mr. Major's employment for any other reason) or July 24, 2010.

In July 2000, Mr. Schlief was appointed Vice President, Operations, and we granted Mr. Schlief options to purchase 600,000 shares of common stock at an exercise price of $5.00 per share. The options are subject to our 1997 employee stock option plan and will vest over a four-year period, with 25% of the option shares vesting each year.

In February 2000, Mr. Flowers was appointed Vice President of Finance and Chief Financial Officer, and at that time we granted Mr. Flowers options to purchase 375,000 shares of common stock at an exercise price of $1.67 per share. The options will vest over a four-year period, with 25% of the option

shares vesting on February 17, 2001, and the remainder vesting in equal monthly installments over the 36-month period following that date. The vesting of the options will immediately accelerate upon a sale or merger of our company.

In August 2000, we also granted to Messrs. Flowers, Gray and Tam options to purchase an additional 225,000, 330,000 and 225,000 shares of common stock, respectively, at an exercise price of $7.50 per share. The options will vest over a four-year period, with 25% of the options vesting one year from the date of grant, and the remainder vesting in equal monthly installments over the 36-month period following that date. The vesting of the options will immediately accelerate upon a sale or merger of our company.

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

The following table sets forth information concerning the number and value of shares of common stock underlying the unexercised options held by the named executive officers as of December 31, 1999. The table also sets forth the value realized upon exercise of stock options in fiscal year 1999, and the year-end number and value of unexercised options with respect to each of the named executive officers as of December 31, 1999. The value was calculated by determining the fair market value of our common stock on the date of exercise, as determined in good faith by our board of directors, less the exercise price paid for the shares. The value of unexercised in-the-money options at December 31, 1999 is calculated based on an assumed initial public offering price of $11, less the exercise prices of the options, multiplied by the number of shares underlying those options.

FISCAL YEAR-END OPTION VALUES

NAME	NUMBER OF SHARES ACQUIRED ON EXERCISE	VALUE REALIZED	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT DECEMBER 31, 1999		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT DECEMBER 31, 1999	
			EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Robert Corey(1).....	--	--	437,499	1,062,501	4,395,407	10,674,593
Ambrose Tam.....	--	--	45,000	45,000	463,050	463,050
John Weitzner(1).....	--	--	--	225,000	--	2,260,500
Bruce Gray.....	--	--	30,000	240,000	301,400	2,411,200
Roger Hartman(1).....	--	--	75,000	225,000	753,500	2,260,500
James Palmer(1).....	300,000	$490,000	300,000	--	3,290,000	--

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

EMPLOYMENT-RELATED ARRANGEMENTS

In July 2000, we entered into an employment agreement with John Major covering an initial term of three years under which Mr. Major will serve as the Chairman of our board of directors and as our Chief Executive Officer. The agreement provides for Mr. Major to receive an annual base salary of $325,000, subject to review by our board at least annually, and an annual performance incentive bonus payable in a single installment in an amount equal to up to 100% of Mr. Major's then applicable annual salary. The agreement provides for Mr. Major to receive half his bonus in cash and the remaining half in shares of our common stock. In addition, we granted Mr. Major options to purchase up to 3,036,543 shares of our common stock at an exercise price of $5.00 per share. Twenty percent of these options vested and became exercisable on their date of grant and the remaining options will vest and become exercisable with the passage of time or upon the occurrence of specified events. In the event that we terminate Mr. Major without cause, or in the event he terminates his employment with us because we have materially breached the terms of his employment agreement or because a change of control occurs, he is entitled to receive in a lump sum payment an amount equal to his annual base salary then in effect and all unvested options will immediately vest and become exercisable. Mr. Major would then also be entitled to a bonus equal to the amount of the bonus he had earned as of the date of his termination as well as to the continuation of certain employee benefits pursuant to the terms of existing company plans. If we terminate Mr. Major's employment for cause, or Mr. Major terminates his employment without good reason, Mr. Major will be

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

On August 21, 1996, Ambrose Tam entered into a five-year employment agreement with us and one of our subsidiaries, NWT, under which Mr. Tam agreed to serve as our and NWT's President and Chief Operating Officer. The employment agreement provides for an annual salary of no less than (Canadian) $187,440 (US $126,649) adjusted from time to time, and an annual performance incentive bonus targeted to be 33% of his annual base salary, based on the achievement of certain performance objectives. The employment agreement provides that if Mr. Tam is terminated without cause, he will be entitled to (Canadian) $250,000 (US $168,919), payable in two equal installments, the first of which would occur upon his termination and the second of which would occur six months thereafter. In this event, Mr. Tam would also receive a performance bonus prorated for the period it covers and he would continue to receive certain employee benefits for 12 months. If Mr. Tam terminates his employment because of a material breach of the employment agreement by either us or NWT, he will be entitled to (Canadian) $250,000 (US $168,919), his incentive bonus prorated for the year and the continuation of certain employee benefits for 12 months. In the event of a change of control of either us or NWT, Mr. Tam will be entitled to (Canadian) $125,000 (US $84,459) if he resigns from employment within 30 days from the date of the change of control. All US dollar amounts presented above are based on the daily Noon Buying Rate of (Canadian) $1.48 per (US)$1.00 on September 8, 2000.

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

On April 17, 2000, we entered into a separation agreement and general release with Roger Hartman pursuant to which, effective April 30, 2000, Mr. Hartman agreed to terminate his employment with us. As of April 30, 2000, Mr. Hartman held options to purchase 300,000 shares of our common stock at an exercise price of $0.95 per share, 75,000 of which had vested. Under our agreement, Mr. Hartman will serve as a consultant to us for a period of six months ending October 31, 2000 for a monthly consultant fee of approximately $12,000 and will be considered an employee for purposes of the vesting of his stock options and participation in our 401(k) plan. After October 31, 2000, for the two-month period ending December 31, 2000, Mr. Hartman will serve us as a part-time consultant for which he will not be paid a consulting fee, though his stock options will continue to vest.

In connection with the termination of Mr. Weitzner's employment with us effective July 24, 2000, on July 30, 2000 we entered into a separation agreement and general release. As of July 24, 2000, Mr. Weitzner held options to purchase 75,000 shares of our common stock, none of which had vested. The agreement provides that 21,875 shares of Mr. Weitzner's options will vest on October 31, 2000.

COMPENSATION PLANS

1997 EMPLOYEE STOCK OPTION PLAN

Our 1997 employee stock option plan provided for the grant to employees of incentive and nonstatutory stock options. We have 12,000,000 shares of common stock authorized under our 1997 stock option plan. As of September 13, 2000, 10,252,218 shares were subject to outstanding options and 1,747,782 shares will remain available for future grant. Our board of directors has determined that no further options will be granted under the 1997 stock option plan after the completion this offering. The remaining shares issuable under the 1997 employee stock option plan shall be available for issuance under our 2000 stock incentive plan.

2000 STOCK INCENTIVE PLAN

Our 2000 stock incentive plan was adopted by our board of directors on July 24, 2000 and will be approved by our stockholders prior to consummation of this offering. The plan will become effective upon our initial public offering. At that time, all outstanding options under our 1997 employee stock option plan

will be transferred to the 2000 stock incentive plan, and no further option grants will be made under the 1997 plan. The transferred options will continue to be governed by their existing terms, unless a committee of our board administrating the plan decides to extend one or more of those features of the 2000 stock incentive plan to those options.

The 2000 stock incentive plan provides for the discretionary grant of incentive stock options to employees, including officers and employee directors, and for the discretionary grant of nonstatutory stock options, stock appreciation rights, stock units and stock purchase rights to employees, directors and consultants. A total of 16,500,000 shares of our common stock has been reserved for issuance under the 2000 stock incentive plan including the shares attributable to the 1997 employee stock option plan. Beginning with the first fiscal year following the effective date of the 2000 stock incentive plan, on the first day of each fiscal year, shares will be added to the 2000 stock incentive plan equal to the lesser of (i) 1,500,000 shares, (ii) three percent of the shares of our common stock outstanding in the last day of the prior fiscal year, or (iii) such lesser number of shares as may be determined by our board in its sole discretion. Unless terminated sooner, the 2000 stock incentive plan will terminate on July 23, 2010.

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

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

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

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

In the case of restricted stock and stock units, unless the administrator determines otherwise, the restricted stock purchase agreement shall grant us a repurchase option exercisable after the purchaser's employment or other service relationship with us has ended for any reason, including his or her death or disability. Each award of restricted stock and stock units will be granted pursuant to an agreement between us and the participant, and will vest in full or in installments in accordance with the respective agreement,

which may provide for acceleration upon the occurrence of certain events. The purchase price for shares repurchased pursuant to the restricted stock purchase agreement shall be the original price paid by the purchaser and may be paid by cancellation of any indebtedness of the purchaser to us. The repurchase option shall lapse at a rate determined by the administrator.

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

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

2000 EMPLOYEE STOCK PURCHASE PLAN

Our 2000 employee stock purchase plan (2000 purchase plan) was adopted by our board of directors on July 24, 2000 and will be approved by our stockholders prior to consummation of this offering. The plan will become effective upon our initial public offering. A total of 1,500,000 shares of our common stock will be reserved for issuance under the 2000 purchase plan. Also, beginning with our first fiscal year beginning after the effective date of the 2000 purchase plan, on the first day of each fiscal year, shares will be added to the 2000 purchase plan equal to the lesser of (a) 0.5% of the outstanding shares of our common stock on the last day of the prior fiscal year, (b) 270,000 shares, or (c) such lesser number of shares as may be determined by our board in its sole discretion.

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

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

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

purchase period. In the event the fair market value at the end of a purchase period is less than the fair market value at the beginning of the offering period, the participants will be withdrawn from the current offering period following exercise and automatically re-enrolled in a new offering period. Participants may end their participation at any time during an offering period, and they will be paid their payroll deductions to date. Participation ends automatically upon termination of employment with us.

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

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

401(k) PLAN

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

LIMITATION OF LIABILITY AND INDEMNIFICATION MATTERS

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

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

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

RELATED PARTY TRANSACTIONS

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

SERIES D FINANCING

On June 30, 2000 and on July 14, 2000 we issued and sold an aggregate of 5,892,150 shares of our Series D preferred stock at a purchase price of $5.75 per share. We also issued warrants to purchase an aggregate of 1,178,400 shares of our common stock at an exercise price of $5.75 per share. Of the 5,892,150 shares of Series D preferred stock and the 1,178,400 accompanying warrants that we issued and sold, we issued and sold a total of 5,256,315 such shares and a total of 1,051,254 warrants to the following executive officers, directors, and greater than 5% stockholders of our company and persons associated with them for a total purchase price of approximately $30,223,812.

PURCHASER	NUMBER OF SHARES	NUMBER OF WARRANTS	TOTAL PURCHASE PRICE
Aether Capital, LLC	3,478,260	695,652	$19,999,995
Cornerstone Equity Investors IV, L.P.	869,565	173,913	4,999,999
GSM Capital Limited Partnership	516,519	103,302	2,969,984
Bank of Montreal Capital Corporation	181,914	36,381	1,046,006
Working Ventures Canadian Fund, Inc	173,913	34,782	1,000,000
Ventures West Investments Limited	27,288	5,457	156,906
ARGC III, LLC	5,217	1,041	29,998
Sam Znaimer	3,639	726	20,924

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

Cornerstone Equity Investors IV, L.P. is an investment fund whose managing general partner is Cornerstone Equity Investors, LLC. Robert Getz and Mark Rossi, two of our directors, are each managing directors of Cornerstone Equity Investors, LLC.

Bank of Montreal Capital Corporation and Ventures West Capital Limited are both controlled by Ventures West Capital Ltd. Sam Znaimer, one of our former directors, is a senior vice president and a member of the board of directors of Ventures West Capital Ltd.

GSM Capital Limited Partnership is an investment fund that is managed by Argo Global Capital Inc. H.H. Haight, one of our directors, and Bernice Bradin, one of our former directors, are both executives at Argo Global Capital, Inc.

ARGC III, LLC is an investment fund in which H.H. Haight, one of our current directors, and Bernice Bradin, one of our former directors, are members. Mr. Haight and Ms. Bradin are also both limited partners of Advent Partners Limited Partnership, an entity that participated in some of our earlier financing rounds. In addition, they are entitled to receive a percentage of the carried interest payable to the managing general partner of each of Advent Israel Limited Partnership, Advent Israel (Bermuda) Limited Partnership, Golden Gate Development & Investment Limited Partnership and Digital Media &

Communications Limited Partnership provided these funds show a gain on their investments. Each such fund purchased shares of our preferred stock in earlier rounds of financing.

Working Ventures Canadian Fund, Inc. is a Canadian venture capital fund at which Nathan Gibb, one of our directors, is an investment manager.

SERIES C FINANCING

On December 31, 1999, we issued and sold a total of 11,022,831 shares of Series C preferred stock at a purchase price of $2.78 per share. We also issued warrants to purchase a total of 2,119,071 and 29,568 shares of common stock at an exercise price of $3.33 and $2.78 per share, respectively, on or prior to December 31, 2004.

Of the 11,022,831 shares of Series C preferred stock that we issued and sold, a total of 5,749,884 shares of Series C preferred stock and warrants to purchase a total of 2,037,372 shares of common stock were issued and sold to the following executive officers, directors and greater than 5% stockholders of our company and persons affiliated with them for a total purchase price of approximately $16.0 million:

PURCHASER	NUMBER OF SHARES	NUMBER OF WARRANTS	TOTAL PURCHASE PRICE
Cornerstone Equity Investors IV, L.P.	5,395,683	1,079,136	$15,000,000
Bank of Montreal Capital Corporation.....	302,739	819,003	841,614
Ventures West Investments Limited.....	45,408	122,850	126,234
Sam Znaimer.....	6,054	16,383	16,830

1999 BRIDGE FINANCING

On June 24, 1999 and July 15, 1999, we issued and sold convertible subordinated debentures to purchasers in the total original principal amount of $3,120,000 bearing interest at the rate of 8% per annum. Of this amount, $500,000 was issued and sold by our subsidiary NWT. We also issued warrants to purchase a total of 3,930,006 shares of common stock at an exercise price of $0.67 per share on or prior to June 24, 2004 or July 15, 2004, respectively. NWT also issued warrants to purchase 750,000 shares of NWT's common stock at an exercise price of $0.67 per share. Upon the exercise of these NWT Warrants, the resulting shares of NWT common stock are thereafter exchangeable on a one-for-one basis for shares of our common stock. Immediately upon the closing of our Series C preferred stock financing, the principal amount then outstanding under the convertible subordinated debentures that we and NWT issued, together with accrued but unpaid interest thereon, automatically converted into an aggregate of 1,166,721 shares of Series C preferred stock at a price of $2.78 per share.

Of the $3,120,000 original principal amount of debentures that we and NWT issued and sold, we and NWT issued and sold a total original principal amount of $2,772,522 and warrants to purchase a total of 4,158,783 shares of Series C preferred stock and NWT common stock to the following executive officers, directors or greater than 5% stockholders of our company and persons affiliated with them:

PURCHASER	NUMBER OF WARRANTS	TOTAL PRINCIPAL AMOUNT OF CONVERTIBLE SUBORDINATED DEBENTURES
GSM Capital Limited Partnership	1,316,652	$877,768
Bank of Montreal Capital Corporation	798,234	532,156
Working Ventures Canadian Fund, Inc.	750,000	500,000
Marco Polo Industries Co., Ltd.	446,955	297,970
Digital Media & Communications Limited Partnership	285,393	190,262
Robert Corey	150,000	100,000
Ventures West Investments Limited	119,736	79,824
Golden Gate Development & Investment Limited Partnership	118,722	79,148
Advent Israel Limited Partnership	81,474	54,316
Advent Partners Limited Partnership	39,033	26,022
Roger Hartman	30,000	20,000
Sam Znaimer	15,966	10,644
ARGC, LLC	6,618	4,412

Robert Corey is a former director and chief executive officer and Roger Hartman is a former chief financial officer of ours.

Marco Polo Industries Co., Ltd., an investment firm, is owned by Horst Pudwill, one of our former directors.

ARGC, LLC is an investment fund in which H.H. Haight, one of our directors, and Bernice Bradin, one of our former directors, are members.

SERIES B FINANCING

On December 23, 1997, April 24, 1998 and September 1, 1998, we issued and sold a total of 6,252,843 shares of our Series B preferred stock at a purchase price of $1.42 per share. We also issued warrants to purchase a total of 2,585,130 shares of common stock at an exercise price of $1.42 per share on or prior to December 31, 2002 or April 24, 2003, depending on their date of issuance. In addition, on December 23, 1997, our subsidiary NWT issued 640,842 shares of its Series B preferred stock at a purchase price of $1.42 per share. In September 2000, these NWT shares were exchanged on a one-for-one basis for shares of our Series B preferred stock, which will automatically convert into shares of our common stock immediately prior to the completion of this offering.

Of the 6,893,685 shares of Series B preferred stock that each of Novatel Wireless and NWT issued and sold, a total of 4,977,126 shares of Series B preferred stock and warrants to purchase a total of 1,866,423 of common stock were issued and sold to the following executive officers, directors and greater than 5% stockholders of Novatel Wireless and persons associated with them:

PURCHASER	NUMBER OF SHARES	NUMBER OF WARRANTS	TOTAL PURCHASE PRICE
GSM Capital Limited Partnership	3,082,569	1,155,963	$4,377,248
Working Ventures Canadian Fund, Inc.	640,842	240,315	909,996
Bank of Montreal Capital Corporation	530,379	198,891	753,138
Steven Sherman	352,113	132,042	500,000
Marco Polo Industries Co., Limited	176,055	66,021	249,998
Sherman Capital Group, LLC	105,000	39,375	149,100
Ventures West Investments Limited	79,557	29,835	112,971
Sam Znaimer	10,611	3,981	15,068

Sherman Capital Group, LLC is an investment firm at which Steven Sherman, one of our directors, is the managing member.

SERIES A FINANCING

Between August 26, 1996, and December 11, 1997, we issued and sold a total of 6,791,571 shares of our Series A preferred stock at a purchase price of $0.71 per share. In addition, during that period our subsidiary NWT issued a total of 3,755,394 shares of its Series A preferred stock at a purchase price of $0.71 per share. In September 2000, these NWT shares were exchanged on a one-for-one basis for shares of our Series A preferred stock, which will automatically convert into shares of our common stock immediately prior to the completion of this offering.

Of the 10,546,965 shares of Series A preferred stock that we and NWT issued and sold a total of 10,314,048 shares were issued and sold to the following executive officers, directors and greater than 5% stockholders of our company and persons affiliated with them.

PURCHASER	NUMBER OF SHARES	TOTAL PURCHASE PRICE
Working Ventures Canadian Fund, Inc.	3,755,394	$2,666,330
Bank of Montreal Capital Corporation	1,877,841	1,333,267
Digital Media & Communications Limited Partnership	1,689,795	1,199,754
GSM Capital Limited Partnership	865,602	614,577
Golden Gate Development & Investment Limited	703,125	499,219
Advent Israel Limited Partnership	482,400	342,504
Steven Sherman	324,030	230,061
Ventures West Investments Limited	281,685	199,996
Advent Partners Limited Partnership	231,120	164,095
Advent Israel (Bermuda) Limited Partnership	59,040	41,918
Sam Znaimer	37,536	26,651
ARGC, LLC	6,480	4,601

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

RELATIONSHIPS WITH OFFICERS AND DIRECTORS

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

PRINCIPAL STOCKHOLDERS

The following table sets forth information regarding the beneficial ownership of our common stock as of September 13, 2000, and as adjusted for this offering, by:

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

Each stockholder's percentage ownership in the following table prior to the offering is based on 51,592,573 shares of common stock outstanding as of September 13, 2000. For purposes of calculating each stockholder's percentage ownership, all options and warrants exercisable within 60 days of September 13, 2000 held by the particular stockholder and that are included in the first column are treated as outstanding shares, but are not deemed outstanding for computing the percentage ownership of any other person. The numbers shown in the table below assume no exercise by the underwriters of their over-allotment option.

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

community property laws or as otherwise indicated, the persons named in the table have sole voting and sole investment control with respect to all shares beneficially owned.

NAME AND ADDRESS OF BENEFICIAL OWNER	NUMBER OF SHARES BENEFICIALLY OWNED	PERCENTAGE OF SHARES BENEFICIALLY OWNED PRIOR TO THE OFFERING	PERCENTAGE OF SHARES BENEFICIALLY OWNED AFTER THE OFFERING
Cornerstone Equity Investors LLC(1) 717 Fifth Avenue, Suite 1100 New York, NY 10022.	7,518,297	16.40%	14.23%
Robert Getz(1)	7,518,297	16.40	14.23
Mark Rossi(1)	7,518,297	16.40	14.23
Entities affiliated with GSM Capital Limited Partnership(2) Lynnfield Woods Office Park 210 Broadway, Suite 101 Lynnfield, MA 01949	7,391,250	15.67	13.64
H.H. Haight(2)	7,391,250	15.67	13.64
Working Ventures Canadian Fund, Inc.(3) 250 Bloor Street, East Suite 1600 Toronto, Ontario CANADA M4W 1E6	5,782,512	12.68	10.99
Nathan Gibb(3)	*	*	
Steven Sherman(4)	5,624,745	12.55	10.85
Entities affiliated with Ventures West Capital Limited(5) 1285 West Pender Street, Suite 280 Vancouver, British Columbia CANADA V6E 4B1	4,716,816	10.29	8.92
Aether Capital, LLC(6) 11460 Cronridge Drive Owings Mills, MD	4,173,912	9.22	7.98
David Oros(6)	4,173,912	9.22	7.98
Entities affiliated with Advent International Corporation(7) 75 State Street, 29th Floor Boston, MA 02109	3,821,106	8.47	7.33
Marco Polo Industries Co., Ltd.(8) 1806, 18F, Central Plaza 18 Harbour Road Wanchai, Hong Kong Hong Kong	3,492,273	7.74	6.70
Ambrose Tam(9)	1,729,350	3.87	3.35
John Major(10)	1,062,789	2.38	2.06
Bruce Gray(11)	30,000	*	
Melvin Flowers	*	*	
Steven Schlief	*	*	
All directors and executive officers as a group (11 persons)	33,312,855	65.98%	57.95%

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

(1) Represents 6,265,248 shares of common stock and warrants to purchase 1,253,049 shares of common stock. Mark Rossi and Robert Getz hold voting and investment control over these securities and each disclaims beneficial ownership of these securities except to the extent of his respective pecuniary interest.

(2) Represents 4,807,200 shares of common stock and warrants to purchase 2,584,050 shares of common stock. H.H. Haight and Bernice Bradin hold voting and investment control over these securities and

each disclaims beneficial ownership of these securities except to the extent of his or her respective pecuniary interest.

(3) Represents 4,757,415 shares of common stock and warrants to purchase 1,025,097 shares of common stock. Working Ventures Canadian Fund Inc. is a widely held Canadian mutual fund whose board of directors holds voting and investment control over these securities. Mr. Gibb disclaims beneficial ownership of these securities except to the extent of his pecuniary interest.

(4) Represents 5,385,828 shares of common stock, warrants to purchase 171,417 shares of common stock and options to purchase 67,500 shares of common stock which are vested and immediately exercisable.

(5) Represents 3,456,954 shares of common stock and warrants to purchase 1,259,862 share of common stock. The board of directors of Ventures West Capital Limited, which is composed of Ted Anderson, Barry Gekiere, Nancy Harrison, Robin Louis, Howard Riback and Sam Znaimer, holds voting and investment control with respect to 3,326,811 shares of common stock and warrants to purchase 1,212,417 shares of common stock. Sam Znaimer holds voting and investment control over 57,840 shares of common stock and warrants to purchase 21,090 shares of common stock. Robin Louis holds voting and investment control over 72,303 shares of common stock and warrants to purchase 26,355 shares of common stock. Both Messrs. Znaimer and Louis disclaim beneficial ownership of the shares that Ventures West Capital Limited controls except to the extent of his pecuniary interest.

(6) Represents 3,478,260 shares of common stock and warrants to purchase 695,652 shares of common stock. Mr. Oros is Chairman, Chief Executive Officer and President of Aether Systems, Inc., the sole member of Aether Capital, LLC. The board of directors of Aether Systems, Inc. holds voting and investment control over these securities. Mr. Oros disclaims beneficial ownership of these securities except to the extent of his pecuniary interest.

(7) Represents 3,296,484 shares of common stock and warrants to purchase 524,622 shares of common stock. In its capacity as manager of a number of investment funds that are the holders of record of our securities, Advent International Corporation exercises voting and investment control with respect to all our securities of which these funds are the holders of record. Advent International Corporation exercises its voting and investment control through a group of four persons: Douglas R. Brown, President and Chief Executive Officer, Andrew I. Fillat, Senior Vice President responsible for venture investments in North America, Greg C. Smitherman, Vice President responsible for the investment in the Company, and Janet L. Hennessy, Vice President responsible for monitoring public securities, none of whom may act independently and a majority of whom must act in concert to exercise voting or investment control over these securities.

(8) Represents 2,979,297 shares of common stock and warrants to purchase 512,976 shares of common stock. Horst Pudwill owns a limited partnership interest in Marco Polo Industries Co., Ltd., holds voting and investment control over these securities and disclaims beneficial ownership of them except to the extent of his pecuniary interest.

(9) Represents 1,661,850 shares of common stock and options to purchase 67,500 shares of our common stock which are vested and immediately exercisable.

(10) Represents 607,308 shares of common stock issuable upon exercise of immediately exercisable options and 455,481 shares of common stock issuable upon the exercise of options which may become exercisable before December 31, 2000.

(11) Represents options to purchase 30,000 shares of common stock which are vested and immediately exercisable.

DESCRIPTION OF SECURITIES

Upon the completion of this offering, we will be authorized to issue up to 350,000,000 shares of common stock, $0.001 par value per share, and up to 15,000,000 shares of undesignated preferred stock, $0.001 par value per share. All shares of preferred stock currently outstanding will be converted into shares of common stock upon the completion of this offering. As of September 13, 2000, assuming conversion of all outstanding shares of preferred stock (including shares converted into preferred stock in the NWT Exchange) into common stock, there were outstanding 44,592,573 shares of our common stock, warrants to purchase 10,578,543 shares of common stock, and options to purchase 10,252,218 shares of common stock.

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

COMMON STOCK

As of September 13, 2000, we had 66 holders of record of our common stock, assuming both the conversion exchange of all outstanding shares of our preferred stock and the NWT Exchange. There will be 51,592,573 shares of common stock outstanding after giving effect to this offering, based on the number of shares outstanding as of September 13, 2000, assuming no exercise of the underwriter's overallotment option or exercise of outstanding warrants or options under our stock option plans after September 13, 2000.

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

PREFERRED STOCK

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

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

WARRANTS

As of September 13, 2000, there were warrants outstanding to purchase a total of 10,578,543 shares of our common stock. The warrants to purchase shares of preferred stock that survive the closing of this offering will convert into warrants to purchase shares of our common stock on the closing of this offering on a one-for-one basis. Generally, each warrant contains provisions for the adjustment of its exercise price and the number of shares issuable upon its exercise upon the occurrence of any stock dividend, stock split, reorganization, reclassification, consolidation and certain dilutive issuances of securities at prices below the then existing applicable warrant exercise price. In addition, the shares of our common stock issuable upon any exercise of the warrants provide their holders with rights to have those shares registered and qualified under federal and state securities laws, as discussed more fully below. Some of these warrants have net exercise provisions under which the holder may, in lieu of payment of the exercise price in cash, surrender the warrant and receive a net amount of shares based on the fair market value of our common stock at the time of exercise of the warrant after deduction of the aggregate exercise price.

REGISTRATION RIGHTS

Upon completion of this offering, under an amended and restated registration rights agreement dated August 21, 1996, the holders of approximately 17,440,650 shares of our common stock and warrants to purchase approximately 2,832,468 shares of our common stock will be entitled to certain rights with respect to the registration of shares under the Securities Act. Under the terms of this agreement, if we propose to register any of our securities under the Securities Act, these holders are entitled to notice of the registration and are entitled to include shares of common stock in the registration. The rights are subject to conditions and limitations, among them the right of the underwriters of an offering to limit the number of shares included in the registration. At any time following 180 days after this offering and prior to five years after this offering, the holders of a majority of these securities may require us to file registration statements under the Securities Act with respect to their shares of common stock, and we are required to use our best efforts to effect the registrations, subject to conditions and limitations. Additionally, if any holder of these securities requests that we file a registration statement on Form S-3 when such form becomes available to us, we are required to effect such registration as long as the holders propose to sell such securities at an aggregate price to the public of not less than $500,000. Subject to the limitations contained in the agreement, we will be responsible for paying all registration expenses and the holders selling their shares will be responsible for paying all selling expenses.

In addition, upon completion of this offering, under an amended and restated investors' rights agreement dated June 30, 2000, the holders of approximately 16,914,981 shares of common stock and warrants to purchase up to approximately 8,072,637 shares of common stock will be entitled to certain rights with respect to the registration of shares under the Securities Act. If we propose to register any of our securities under the Securities Act, these holders are entitled to notice of the registration and are entitled to include shares of common stock in the registration. The rights are subject to conditions and limitations, among them the right of the underwriters of an offering to limit the number of shares included in the registration. At any time following the first anniversary of this offering, the holders of at least 33 1/3% of these securities may require that we file up to two registration statements under the Securities Act with respect to their shares of common stock, and we are required to use our best efforts to effect those registrations, subject to conditions and limitations. Additionally, if any holder of these securities requests that we to file a registration statement on Form S-3 when such form becomes available to us, we are required to effect such registration as long as the holders propose to sell such securities at an aggregate price to the public of not less than $1,000,000.

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

DELAWARE ANTI-TAKEOVER LAW AND CHARTER AND BYLAW PROVISIONS

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

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

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

TRANSFER AGENT AND REGISTRAR

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

SHARES ELIGIBLE FOR FUTURE SALE

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

Upon completion of the offering, we will have outstanding 51,592,573 shares of common stock, and 52,642,573 if the underwriters exercise their overallotment option in full, which excludes:

- 10,252,218 shares of common stock that could be issued upon the exercise of options outstanding as of September 13, 2000;

- 10,578,543 shares of common stock that could be issued upon the exercise of warrants outstanding as of September 13, 2000;

- 6,247,782 shares of common stock that could be issued in the future under our stock option plans as of September 13, 2000;

- 1,500,000 shares of common stock that could be issued in the future under our 2000 employee stock purchase plan.

Of the outstanding shares, all the shares of common stock sold in this offering will be freely tradable without restriction under the Securities Act, except that shares purchased by our affiliates, as Rule 144 promulgated under the Securities Act defines that term, may be sold only in compliance with the limitations described below. The remaining 44,592,573 shares of common stock will be deemed "restricted securities" as defined under Rule 144. Restricted shares may be sold in the public market only if they are registered under the Securities Act or if they qualify for an exemption from registration under Rules 144 or 701 promulgated under the Securities Act, which we summarize below. Subject to the lock-up agreements described below in "Underwriting" and the provisions of Rules 144 and 701, shares will be available in the public market as follows:

NUMBER OF SHARES	DATE
7,000,000	After the date of this prospectus, freely tradable shares sold in this offering and shares eligible for resale under Rule 144(k) that are not subject to the 180-day lock-up.
48,000,063	After 180 days from the date of this prospectus, the 180-day lock-up is released and these share are saleable under Rule 144 (subject, in some cases, to volume limitations).
4,023,696	After 180 days from the date of this prospectus, the 180-day lock-up is released and these share are saleable under Rule 701.
7,070,550	After 180 days from the date of this prospectus, restricted securities that are held for less than one year and are not yet saleable under Rule 144.

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

RULE 144

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

are also subject to manner-of-sale provisions and notice requirements and to the availability of current public information about us.

RULE 144(k)

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

RULE 701

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

REGISTRATION RIGHTS

Following this offering, under specified circumstances and subject to customary conditions, holders of approximately 44,592,573 shares of our common stock, including approximately 10,578,543 shares that may be acquired upon the exercise of warrants to purchase our common stock, will have registration rights with respect to their shares of common stock. These registration rights require us to register their shares of common stock under the Securities Act, and permit these holders to participate in any future registrations of our securities. If the holders of these registrable securities request that we register their shares, and if the registration is declared effective, these shares will become freely tradable without restriction under the Securities Act. Any sales of securities by these stockholders could have a material adverse effect on the trading price of our common stock. See "Description of Securities -- Registration Rights."

UNDERWRITING

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

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

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

We have granted to the underwriters a 30-day option to purchase on a pro rata basis up to 1,050,000 additional shares from us at the initial public offering price less the underwriting discounts and commissions. The option may be exercised only to cover any over-allotments of common stock.

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

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

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

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

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

Our officers and directors and the holders of all but 18,000 shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock have agreed that they will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, enter into a transaction which would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our common stock, whether any of these transactions are to be settled by delivery of our common stock or other securities, in cash or

otherwise, or publicly disclose the intention to make any such offer, sale, pledge

or disposition, or to enter into any of these types of transactions, swap, hedge or other arrangement, without, in each case, the prior written consent of Credit Suisse First Boston Corporation for a period of 180 days after the date of this prospectus.

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

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

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

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

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

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

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

Prior to this offering, U.S. Bancorp Piper Jaffray Inc. participated in our private placement as placement agent in which it received warrants to purchase our common stock as compensation and its affiliates purchased our Series C preferred stock and warrants to purchase our common stock. In addition, U.S. Bancorp Piper Jaffray's affiliates purchased Series D preferred stock and warrants to purchase our common stock. U.S. Bancorp Piper Jaffray and its affiliates currently hold 55,755 shares of our Series C preferred stock, 28,689 shares of our Series D preferred stock and warrants to purchase 194,295 shares of our common stock. U.S. Bancorp Piper Jaffray and its affiliates are in compliance with section 2710 of the National Association of Securities Dealers Rules of Conduct regarding underwriter compensation.

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

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

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

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

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

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

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

NOTICE TO CANADIAN RESIDENTS

RESALE RESTRICTIONS

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

REPRESENTATIONS OF PURCHASERS

By purchasing common stock in Canada and accepting a purchase confirmation, a purchaser is representing to us and the dealer from whom the purchase confirmation is received that:

- the purchaser is entitled under applicable provincial securities laws to purchase such common stock without the benefit of a prospectus qualified under those securities laws,

- where required by law, the purchaser is purchasing as a principal and not as an agent, and

- the purchaser has reviewed the text above under "Resale Restrictions."

RIGHTS OF ACTION (ONTARIO PURCHASERS)

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

ENFORCEMENT OF LEGAL RIGHTS

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

NOTICE TO BRITISH COLUMBIA RESIDENTS

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

TAXATION AND ELIGIBILITY FOR INVESTMENT

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

LEGAL MATTERS

The validity of the common stock offered hereby will be passed upon for us by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California. Orrick, Herrington & Sutcliffe LLP owns a total of 17,391 shares of our preferred stock and warrants to purchase 3,477 shares of our common stock. Individuals who are partners of Orrick, Herrington & Sutcliffe LLP own 11,391 shares of our preferred stock and warrants to purchase 2,253 shares of our common stock. Certain legal matters in connection with this offering will be passed upon for the underwriters by Latham & Watkins, Los Angeles, California.

EXPERTS

The consolidated balance sheets as of December 31, 1999 and 1998, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 1999 included in the prospectus and elsewhere in the registration statement have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their report with respect thereto, and are included herein in reliance upon the authority of such firm as experts in accounting and auditing in giving said report.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

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

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

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Novatel Wireless, Inc.:

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

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

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

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedule II -- Valuation and Qualifying Accounts is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ ARTHUR ANDERSEN LLP

San Diego, California

September 13, 2000

NOVATEL WIRELESS, INC.

CONSOLIDATED BALANCE SHEETS

	DECEMBER 31,		JUNE 30,	PRO FORMA STOCKHOLDERS' EQUITY
	1998	1999	2000	JUNE 30, 2000
			(UNAUDITED)	(UNAUDITED)
ASSETS				
Current assets:				
Cash and cash equivalents	$ 3,497,000	$ 25,455,000	$ 32,735,000	
Short-term investments	296,000	--	--	
Accounts receivable, net of reserve of $44,000 (1998), $181,000 (1999), and $233,000 (2000)	607,000	1,345,000	5,135,000	
Inventories	656,000	4,706,000	10,165,000	
Due from contract manufacturer	--	4,732,000	750,000	
Prepaid expenses and other	224,000	480,000	1,555,000	
Total current assets	5,280,000	36,718,000	50,340,000	
Property and equipment, net	904,000	1,346,000	3,490,000	
Intangible asset	--	--	1,250,000	
Other assets	--	54,000	174,000	
	$ 6,184,000	$ 38,118,000	$ 55,254,000	
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)				
Current liabilities:				
Accounts payable	$ 1,169,000	$ 11,560,000	$ 16,232,000	
Accrued expenses	728,000	1,174,000	2,040,000	
Deferred revenues	--	8,134,000	5,029,000	
Current portion of capital lease obligations	--	81,000	70,000	
Total current liabilities	1,897,000	20,949,000	23,371,000	
Capital lease obligations, net of current portion	--	106,000	71,000	
Convertible and redeemable minority interest	4,100,000	4,386,000	4,529,000	
Convertible and redeemable preferred stock, 13,044,414 (1998), 24,067,245 (1999 and 2000), and 0 (Pro Forma) shares issued and outstanding, at liquidation value, net of unamortized offering costs of $127,000 (1998), $2,875,000 (1999) and $2,583,000 (2000)	14,812,000	43,805,000	45,862,000	
Commitments and contingencies				
Stockholders' equity (deficit):				
Preferred stock, par value $.001, 7,800,000 shares authorized, 0 (1998 and 1999) and 5,317,380 (2000) and 0 (Pro Forma) issued and outstanding	--	--	5,000	--
Common stock, par value $.001, 79,500,000 shares authorized, 9,711,630 (1998), 9,752,880 (1999), 10,199,442 (2000) and 43,980,303 (Pro Forma) shares issued and outstanding	10,000	10,000	10,000	$ 44,000
Additional paid-in capital	775,000	4,784,000	35,669,000	86,031,000
Deferred stock compensation	(161,000)	(800,000)	(1,005,000)	(1,005,000)
Accumulated deficit	(15,249,000)	(35,122,000)	(53,258,000)	(53,258,000)
Total stockholders' equity (deficit)	(14,625,000)	(31,128,000)	(18,579,000)	$ 31,812,000
	$ 6,184,000	$ 38,118,000	$ 55,254,000	

See accompanying notes to consolidated financial statements.

NOVATEL WIRELESS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	YEAR ENDED DECEMBER 31,			SIX MONTHS ENDED JUNE 30,	
	1997	1998	1999	1999	2000
				(UNAUDITED)	(UNAUDITED)
Revenue	$ 3,354,000	$ 5,378,000	$ 9,556,000	$ 2,095,000	$ 15,931,000
Cost of revenue	1,136,000	3,433,000	11,955,000	2,528,000	18,014,000
Gross margin	2,218,000	1,945,000	(2,399,000)	(433,000)	(2,083,000)
Operating costs and expenses:					
Research and development	2,715,000	2,333,000	3,717,000	1,035,000	5,203,000
Sales and marketing	2,058,000	2,685,000	4,480,000	1,379,000	6,472,000
General and administrative	1,944,000	2,611,000	4,663,000	1,814,000	2,454,000
	6,717,000	7,629,000	12,860,000	4,228,000	14,129,000
Operating loss	(4,499,000)	(5,684,000)	(15,259,000)	(4,661,000)	(16,212,000)
Other income (expense):					
Interest income	23,000	178,000	47,000	25,000	290,000
Interest expense	--	--	(3,267,000)	--	(20,000)
Other, net	--	--	10,000	(1,000)	6,000
Net loss	$(4,476,000)	$(5,506,000)	$(18,469,000)	$(4,637,000)	$(15,936,000)
Per share date (Note 14):					
Net loss applicable to common stockholders	$(4,979,000)	$(6,657,000)	$(19,873,000)	$(5,337,000)	$(18,136,000)
Weighted average shares used in computation of basic and diluted net loss per common share	9,711,630	9,711,630	9,728,421	9,715,023	10,088,661
Basic and diluted net loss per common share	$ (0.51)	$ (0.69)	$ (2.04)	$ (0.55)	$ (1.80)
Shares used in computation of pro forma basic and diluted net loss per share			27,199,269	27,155,673	43,869,522
Pro forma basic and diluted net loss per share			$ (0.73)	$ (0.20)	$ (0.41)

See accompanying notes to consolidated financial statements.

NOVATEL WIRELESS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

	PREFERRED STOCK		COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	DEFERRED COMPENSATION	TOTAL STOCKHOLDERS' EQUITY (DEFICIT)
	SHARES	AMOUNT	SHARES	AMOUNT				
Balance, January 1, 1997	--	--	9,711,630	$10,000	$ 499,000	$ (3,613,000)	$ --	$ (3,104,000)
Accretion of dividends on minority interest in NWT	--	--	--	--	--	(189,000)	--	(189,000)
Accretion of dividends on convertible and redeemable preferred stock of NWI	--	--	--	--	--	(308,000)	--	(308,000)
Amortization of offering costs for convertible and redeemable preferred stock	--	--	--	--	--	(6,000)	--	(6,000)
Net loss	--	--	--	--	--	(4,476,000)	--	(4,476,000)
Balance, December 31, 1997	--	--	9,711,630	10,000	499,000	(8,592,000)	--	(8,083,000)
Deferred compensation for stock options issued	--	--	--	--	276,000	--	(276,000)	--
Amortization of deferred compensation	--	--	--	--	--	--	115,000	115,000
Accretion of dividends on minority interest in NWT	--	--	--	--	--	(273,000)	--	(273,000)
Accretion of dividends on convertible and redeemable preferred stock of NWI	--	--	--	--	--	(859,000)	--	(859,000)
Amortization of offering costs for convertible and redeemable preferred stock	--	--	--	--	--	(19,000)	--	(19,000)
Net loss	--	--	--	--	--	(5,506,000)	--	(5,506,000)
Balance, December 31, 1998	--	--	9,711,630	10,000	775,000	(15,249,000)	(161,000)	(14,625,000)
Additional paid-in capital from stock options exercised	--	--	41,250	--	30,000			30,000
Deferred compensation for stock options issued	--	--		--	859,000	--	(859,000)	--
Amortization of deferred compensation	--	--	--	--	--	--	220,000	220,000
Accretion of dividends on minority interest in NWT	--	--	--	--	--	(286,000)	--	(286,000)
Accretion of dividends on convertible and redeemable preferred stock of NWI	--	--	--	--	--	(1,096,000)	--	(1,096,000)
Amortization of offering costs for convertible and redeemable preferred stock	--	--	--	--	--	(22,000)	--	(22,000)
Imputed value of warrants issued with convertible subordinated debentures	--	--	--	--	3,120,000	--	--	3,120,000
Net loss	--	--				(18,469,000)		(18,469,000)
Balance, December 31, 1999	--	--	9,752,880	10,000	4,784,000	(35,122,000)	(800,000)	(31,128,000)
Issuance of convertible preferred stock	5,317,380	5,000	--	--	30,249,000	--	--	30,254,000
Additional paid-in capital from stock options and warrants exercised (unaudited)	--	--	446,562	--	172,000	--	--	172,000
Deferred compensation for stock options issued (unaudited)	--	--	--	--	464,000	--	(464,000)	--
Amortization of deferred compensation (unaudited)	--	--	--	--	--	--	259,000	259,000
Accretion of dividends on minority interest in NWT (unaudited)	--	--	--	--	--	(142,000)	--	(142,000)
Accretion of dividends on convertible and redeemable preferred stock of NWI (unaudited)	--	--	--	--	--	(1,767,000)	--	(1,767,000)
Amortization of offering costs for convertible and redeemable preferred stock (unaudited)	--	--	--	--	--	(291,000)	--	(291,000)
Net loss (unaudited)	--	--	--	--	--	(15,936,000)	--	(15,936,000)
Balance, June 30, 2000 (unaudited)	5,317,380	$5,000	10,199,442	$10,000	$35,669,000	$(53,258,000)	$(1,005,000)	$(18,579,000)
Deferred compensation for stock options issued							--	

Amortization of deferred compensation....	115,000
Accretion of dividends on minority interest in NWT.....	(273,000)
Accretion of dividends on convertible and redeemable preferred stock of NWI.....	(859,000)
Amortization of offering costs for convertible and redeemable preferred stock.....	(19,000)
Net loss.....	(5,506,000)
Balance, December 31, 1998.....	(14,625,000)
Additional paid-in capital from stock options exercised.....	30,000
Deferred compensation for stock options issued.....	--
Amortization of deferred compensation....	220,000
Accretion of dividends on minority interest in NWT.....	(286,000)
Accretion of dividends on convertible and redeemable preferred stock of NWI.....	(1,096,000)
Amortization of offering costs for convertible and redeemable preferred stock.....	(22,000)
Imputed value of warrants issued with convertible subordinated debentures....	3,120,000
Net loss.....	(18,469,000)
Balance, December 31, 1999.....	(31,128,000)
Issuance of convertible preferred stock.....	30,254,000
Additional paid-in capital from stock options and warrants exercised (unaudited).....	172,000
Deferred compensation for stock options issued (unaudited).....	--
Amortization of deferred compensation (unaudited).....	259,000
Accretion of dividends on minority interest in NWT (unaudited).....	(142,000)
Accretion of dividends on convertible and redeemable preferred stock of NWI (unaudited).....	(1,767,000)
Amortization of offering costs for convertible and redeemable preferred stock (unaudited).....	(291,000)
Net loss (unaudited).....	(15,936,000)
Balance, June 30, 2000 (unaudited).....	$(18,579,000)

See accompanying notes to consolidated financial statements.

NOVATEL WIRELESS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31,			SIX MONTHS ENDED JUNE 30,	
	1997	1998	1999	1999	2000
				(UNAUDITED)	(UNAUDITED)
Operating activities:					
Net loss	$(4,476,000)	$(5,506,000)	$(18,469,000)	$(4,637,000)	$(15,936,000)
Adjustments to reconcile net loss to net cash used in operating activities:					
Depreciation and amortization	462,000	442,000	672,000	302,000	493,000
Provision for bad debt	--	--	137,000	--	51,000
Compensation for stock options issued below fair value	--	115,000	220,000	140,000	259,000
Compensation for warrants issued in connection with convertible subordinated debentures	--	--	3,120,000	--	--
Changes in assets and liabilities:					
Accounts receivable	(56,000)	(214,000)	(875,000)	154,000	(3,841,000)
Due from contract manufacturer	--	--	(4,732,000)	--	3,982,000
Inventories	22,000	(226,000)	(4,050,000)	(1,492,000)	(5,459,000)
Prepaid expenses and other	(86,000)	(127,000)	(256,000)	94,000	(1,075,000)
Other assets	--	--	(54,000)	--	(120,000)
Accounts payable	544,000	332,000	10,391,000	1,630,000	4,672,000
Accrued expenses	78,000	156,000	576,000	--	866,000
Deferred revenues	--	--	8,134,000	--	(3,105,000)
Net cash used in operating activities	(3,512,000)	(5,028,000)	(5,186,000)	(3,809,000)	(19,213,000)
Investing activities:					
Purchases of property and equipment	(521,000)	(313,000)	(880,000)	(333,000)	(2,637,000)
Purchase of intangibles	--	--	--	--	
Net change in short-term investments	(260,000)	(36,000)	296,000	296,000	(1,250,000)
Net cash (used in) provided by investing activities	(781,000)	(349,000)	(584,000)	(37,000)	(3,887,000)
Financing activities:					
Borrowings on promissory notes	500,000	--	--	--	--
Payments on promissory notes	(1,000,000)	(500,000)	--	--	--
Issuance of convertible and redeemable preferred stock	4,128,000	7,197,000	24,625,000	--	--
Issuance of convertible and redeemable minority interest shares	1,070,000	510,000	--	--	--
Issuance of convertible preferred stock	--	--	--	--	30,254,000
Proceeds from exercise of stock options	--	--	30,000	21,000	172,000
Proceeds from issuance of convertible subordinated debentures	--	--	3,120,000	2,142,000	--
Payments under capital lease obligation	--	--	(47,000)	--	(46,000)
Net cash provided by financing activities	4,698,000	7,207,000	27,728,000	2,163,000	30,380,000
Net increase (decrease) in cash and cash equivalents	405,000	1,830,000	21,958,000	(1,683,000)	7,280,000
Cash and cash equivalents, beginning of period	1,262,000	1,667,000	3,497,000	3,497,000	25,455,000
Cash and cash equivalents, end of period	$ 1,667,000	$ 3,497,000	$ 25,455,000	$ 1,814,000	$ 32,735,000
Supplemental disclosures of non-cash investing and financing activities:					
Conversion of convertible subordinated debentures and related accrued interest into Series C convertible and redeemable preferred stock	$ --	$ --	$ 3,250,000	$ --	$ --
Accretion of dividends on minority interest	(189,000)	(273,000)	(286,000)	(142,000)	(142,000)
Accretion of dividends on convertible and redeemable preferred stock	(308,000)	(859,000)	(1,096,000)	(548,000)	(1,767,000)
Amortization of offering costs for convertible and redeemable preferred stock	(6,000)	(19,000)	(22,000)	(10,000)	(291,000)
Deferred compensation for stock options issued	--	276,000	859,000	--	464,000
Property and equipment acquired under capital lease obligations	--	--	234,000	--	--
Supplemental disclosures of cash flows information:					
Cash paid during the period for:					
Interest	$ --	$ --	$ 7,000	$ --	$ 3,000
Income taxes	1,000	1,000	1,000	1,000	1,000

See accompanying notes to consolidated financial statements.

NOVATEL WIRELESS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1999

AND JUNE 30, 2000 (UNAUDITED)

1. THE COMPANY

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

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

2. RISKS AND UNCERTAINTIES

Company Operations

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

The Company has experienced net losses in each year since its inception and had an accumulated deficit of $35.1 million at December 31, 1999 and $53.3 million (unaudited) at June 30, 2000. The Company incurred net losses of $4.5 million, $5.5 million, $18.5 million, $4.6 million (unaudited) and $15.9 million (unaudited) and negative cash flows from operations of $3.5 million, $5.0 million, $5.2 million, $3.8 million (unaudited) and $19.2 million (unaudited) for the years ended December 31, 1997, 1998 and 1999 and the six months ended June 30, 1999 and 2000, respectively. The Company expects to continue to incur net losses for at least the next several quarters. While the Company is unable to predict accurately its future operating expenses, the Company currently expects these expenses to increase substantially, as it, among other things, expands its selling and marketing activities, increases its research and development efforts to upgrade its existing services and develop new services and technologies, upgrades its operational and financial systems, procedures and controls, and hires and trains additional personnel.

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

Initial Public Offering

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

outstanding shares of convertible and redeemable preferred stock and minority interest shares outstanding at June 30, 2000 will convert into 33,780,861 shares of common stock. Unaudited pro forma stockholders' equity reflects the assumed conversion of the convertible preferred stock and minority interest shares outstanding at June 30, 2000 into common stock.

In August 2000, the Company's Board of Directors approved a 3 for 1 stock split. The effects of this stock split have been retroactively reflected for all periods presented.

3. RECENT FINANCINGS AND EQUITY ACTIVITY

Series D

In June and July of 2000, the Company issued 5,892,150 shares of Series D preferred stock to accredited investors in a private offering. Net proceeds from the financing amounted to approximately $33.6 million, or $5.75 per share, after offering costs of approximately $320,000. We also issued warrants to purchase a total of 1,178,400 shares of NWI common stock at an exercise price of $5.75 expiring June 30, 2005.

The Company amended its Certificate of Incorporation to authorize 7,800,000 shares of Series D Convertible Preferred Stock, par value $0.001.

In September 2000, the holders of the NWT Series A and B convertible and redeemable preferred shares exercised their right to exchange all of their shares into Series A and B convertible and redeemable preferred shares of NWI. (See Note 7)

Line of Credit Commitment

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Novatel, its wholly owned subsidiary Novatel Wireless Solutions, Inc. and its 50% owned subsidiary NWT. The remaining 50% ownership of NWT is reflected in the accompanying balance sheets as convertible and redeemable minority interest. Refer to Note 7 for further discussion of the minority interest. All significant intercompany transactions and balances have been eliminated in consolidation. Certain reclassifications have been made to amounts included in the prior years' financial statements to conform to the presentation for the year ended December 31, 1999.

Unaudited Interim Results

The accompanying balance sheet as of June 30, 2000, the statements of operations and cash flows for the six months ended June 30, 1999 and June 30, 2000 and the statement of stockholders' equity (deficit) for the six months ended June 30, 2000 are unaudited. The unaudited interim financial statements have been prepared on the same basis as the annual financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the Company's financial position and its results of operations and its cash flows for the six months ended

June 30, 1999 and June 30, 2000. The financial data and other information disclosed in these notes to financial statements related to these periods are also unaudited. The results for the six months ended June 30, 2000 are not necessarily indicative of the results to be expected for the year ending December 31, 2000.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, revenues, expenses and disclosures of contingent assets and liabilities. Actual results could differ from these estimates.

Revenue Recognition

Our revenue has been generated from the sale of wireless modems to wireless telecommunications operators, wireless data content and service providers, resellers and OEM customers. We also generate revenue from the systems activation and integration services we provide prior to shipping; through June 30, 2000, such revenue has not been significant. Revenue from product sales and services is recognized upon the latter of transfer of title or upon shipment of the product to the customer or upon rendering activation and integration services, if applicable. Revenues from long-term supply contracts are recognized as products are shipped to customers over the period of the contract. We recognize revenue under contract research and development agreements when certain criteria stipulated under the terms of those agreements have been met. We record deferred revenue for cash payments received from customers in advance of the revenue recognition criteria being met. We grant price protection provisions to certain customers and we track pricing and other terms offered to customers buying similar products to assess compliance with these provisions. We establish reserves for estimated product returns and warranty allowances in the period in which revenue is recognized.

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

Research and Development Costs

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

Warranty Costs

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

Cash and Cash Equivalents

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

Short-Term Investments

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

Inventories

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

Due from Contract Manufacturer

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

Property and Equipment

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

Intangible Asset

Intangible asset consists of a non-exclusive and perpetual worldwide software product license. The Company capitalized the cost to acquire the license and will amortize the cost on a straight-line basis over the estimated useful life of the asset which is 5 years.

Long-Lived Assets

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

Income Taxes

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

Stock-Based Compensation

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

Computation of Net Loss Per Share

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

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

Foreign Currency Translation

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

Fair Value of Financial Instruments

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

Comprehensive Income

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

Segment Information

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

Recent Accounting Pronouncements

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

5. FINANCIAL STATEMENT DETAILS

Due from Contract Manufacturer

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

Inventories

Inventories consist of the following:

	DECEMBER 31,		JUNE 30,
	1998	1999	2000
			(UNAUDITED)
Finished goods	$656,000	$3,377,000	$ 4,013,000
Raw materials and components	--	1,942,000	7,057,000
	656,000	5,319,000	11,070,000
Less -- reserve for estimated excess and obsolescence	--	(613,000)	(905,000)
	$656,000	$4,706,000	$10,165,000

Property and Equipment

Property and equipment consists of the following:

	DECEMBER 31,		JUNE 30,
	1998	1999	2000
			(UNAUDITED)
Test equipment	$ 449,000	$ 650,000	$ 1,275,000
Computer equipment and purchased software	1,013,000	1,550,000	2,638,000
Furniture and fixtures	291,000	396,000	789,000
Product tooling	235,000	491,000	610,000
Leasehold improvements	--	15,000	427,000
	$ 1,988,000	3,102,000	5,739,000
Less -- accumulated depreciation and amortization	(1,084,000)	(1,756,000)	(2,249,000)
	$ 904,000	$ 1,346,000	$ 3,490,000

Depreciation expense was $462,000, $442,000, $672,000, $302,000 (unaudited) and $493,000 (unaudited) for the years ended December 31, 1997, 1998, 1999 and the six months ended June 30, 1999 and 2000, respectively. At December 31, 1999, assets held under capital leases had a net book value of $190,000, net of accumulated amortization of $31,000.

Accrued Expenses

Accrued expenses consist of the following:

	DECEMBER 31,		JUNE 30,
	1998	1999	2000
			(UNAUDITED)
Sales taxes	$ 5,000	$ 346,000	$ 378,000
Payroll and related	80,000	430,000	917,000
Product warranty	244,000	236,000	500,000
Royalties	176,000	62,000	45,000
Other	223,000	100,000	200,000
	$728,000	$1,174,000	$2,040,000

6. LINE OF CREDIT

The Company has a line of credit agreement with a bank that allows the Company to borrow the lesser of $2.5 million, or 80%, of eligible accounts receivable balances plus 40% of raw materials and finished goods inventories, as defined in the agreement. The line of credit bears interest at prime rate plus 0.5% (9.0% at December 31, 1999), is collateralized by substantially all assets of the Company and expires during September 2000. In connection with this line of credit, 71,430 NWI warrants were granted to purchase shares of Series C convertible and redeemable preferred stock. As of December 31, 1999 and June 30, 2000 (unaudited), there were no borrowings outstanding under the line of credit. However, the Company was in violation of certain covenants defined in the line of credit agreement. The Company has obtained a waiver from the bank related to such covenant violations through June 30, 2000. (See Note 3)

7. CONVERTIBLE AND REDEEMABLE MINORITY INTEREST

Minority interest consists of 3,755,394 Series A convertible and redeemable preferred shares (Series A shares) and 640,842 Series B (Series B shares) convertible and redeemable preferred shares of NWT at December 31, 1998 and 1999.

In 1996, we issued 2,812,500 Series A shares to accredited investors in a private offering. Proceeds from the financing were approximately $1,997,000, or $0.71 per share.

In 1997, we issued 942,894 Series A shares to accredited investors in a private offering. Proceeds from the financing were approximately $669,000, or $0.71 per share. Additionally, we issued 281,688 Series B shares to accredited investors in a private offering. Proceeds from the financing were approximately $400,000, or $1.42 per share. In connection with this offering, we also caused our subsidiary, NWT, to issue warrants to purchase a total of 105,633 shares of NWT common stock at an exercise price of $1.42 on or prior to December 31, 2002.

In 1998, we issued 359,154 Series B shares to accredited investors in a private offering. Proceeds from the financing were approximately $510,000, or $1.42 per share. We also caused our subsidiary, NWT, to issue warrants to purchase a total of 134,682 shares of NWT common stock at an exercise price of $1.42 on or prior to April 24, 2003.

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

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

Each of NWT's preferred stockholders are entitled to receive, from funds legally available, a cumulative annual dividend of 8% per annum based on their respective purchase price upon any liquidation, dissolution or winding up of the affairs of NWT, redemption, or when declared by the Board of Directors provided that, upon optional or automatic conversion of the preferred shares, all accrued and unpaid dividends are forfeited. Dividends on these shares of $189,000, $273,000, $286,000, $142,000 (unaudited) and $142,000 (unaudited) for the years ended December 31, 1997, 1998 and 1999 and for the six months ended June 30, 1999 and 2000, respectively, have been accrued and recorded in the accompanying consolidated financial statements.

In September 2000, the NWT Series A & Series B Holders exchanged their NWT Series A and Series B shares on a 1:1 basis into NWI Series A preferred and Series B preferred shares.

8. CONVERTIBLE AND REDEEMABLE PREFERRED STOCK

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

	DECEMBER 31,		JUNE 30,
	1998	1999	2000
			(UNAUDITED)
Convertible and redeemable preferred stock, Series A, par value $.001, 16,500,000 shares authorized, 6,791,571 shares issued and outstanding.....	$ 5,472,000	$ 5,870,000	$ 6,068,000
Convertible and redeemable preferred stock, Series B, par value $.001, 7,500,000 shares authorized (485,241 are non-voting), 6,252,843 shares issued and outstanding.....	9,340,000	10,060,000	10,420,000
Convertible and redeemable preferred stock, Series C, par value $.001, 16,500,000 shares authorized, 11,022,831 shares issued and outstanding.....	--	27,875,000	29,374,000
	$14,812,000	$43,805,000	$45,862,000

In 1996, the Company issued 3,089,565 shares of Series A convertible and redeemable preferred stock (Series A) to accredited investors in a private offering. Proceeds from the financing were approximately $2,194,000, or $0.71 per share.

In 1997, the Company issued 3,702,006 shares of Series A preferred stock to accredited investors in a private offering. Proceeds from the financing were approximately $2,628,000, or $0.71 per share and related offering costs were approximately $83,000. Additionally, we issued 1,126,761 shares of Series B convertible and redeemable preferred stock (Series B) to accredited investors in a private offering. Proceeds from the financing were approximately $1,600,000, or $1.42 per share and related offering costs were approximately $17,000. We also issued warrants to purchase a total of 422,535 shares of NWI common stock at an exercise price of $1.42 on or prior to December 31, 2002.

In 1998, the Company issued 5,126,082 shares of Series B preferred stock to accredited investors in a private offering. Proceeds from the financing were approximately $7,279,000, or $1.42 per share and related offering costs were approximately $82,000. We also issued warrants to purchase a total of 1,922,280 shares of NWI common stock at an exercise price of $1.42 on or prior to December 31, 2004.

In December 1999, the Company issued 11,022,831 shares of Series C convertible and redeemable preferred stock (Series C) to accredited investors in a private offering at a price of $2.78 per share. Proceeds from the financing were approximately $27,875,000, including conversion of subordinated debentures of $3,120,000 and related accrued interest of $130,000 after deducting offering costs and underwriters' commissions of approximately $2,768,000.

Subject to adjustment under certain circumstances, the Series A, Series B, and Series C shares are convertible to NWI common shares on a 1:1 basis without the payment of additional consideration at the

option of the holder at any time after issuance but before August 21, 2002 for Series A, before December 23, 2001 for Series B, and before June 30, 2001 for Series C. Automatic conversion occurs if:

a. NWI becomes listed on a public exchange with minimum net proceeds of $10 million and the offering price is not less than $1.42 per share for Series A, $2.50 per share for Series B, and $4.87 per share for Series C.

b. NWI sells all or substantially all of its assets, merges or consolidates into or with another corporation provided the portion of proceeds distributable are not less than $1.42 per share for Series A, $2.50 per share for Series B, and $4.87 per share for Series C.

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

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

The holders of the Series A, Series B and Series C shares are entitled to receive, from funds legally available, a cumulative annual dividend of 8% of the purchase price upon any liquidation, dissolution or winding up of the affairs of the Company, upon redemption, or when declared by the Board of Directors, provided that upon optional or automatic conversion of the preferred shares all accrued and unpaid dividends shall be forfeited. Dividends on these shares of $308,000, $859,000, $1,096,000, $548,000 (unaudited) and $1,767,000 (unaudited) for the years ended December 31, 1997, 1998 and 1999, and the six months ended June 30, 1999 and 2000, respectively, have been accrued and recorded in the accompanying consolidated financial statements.

9. STOCKHOLDERS' EQUITY

During fiscal 1999, the Company amended its Certificate of Incorporation to change its authorized share capital. As a result, the Company is authorized to issue 79,500,000 shares of common stock, par value $.001; 16,500,000 shares of Series A convertible and redeemable preferred stock, par value $.001; 7,500,000 shares of Series B convertible and redeemable preferred stock (of which 485,241 are non-voting), par value $.001; and 16,500,000 shares of Series C convertible and redeemable preferred stock, par value $.001. With the exception of 56,364 outstanding shares of Series B convertible and redeemable preferred stock, all outstanding shares carry voting rights (see Note 3).

Convertible Subordinated Debentures

On June 24, 1999 and July 15, 1999, the Company issued convertible subordinated debentures to accredited investors in the total principal amount of $3,120,000 bearing interest at the rate of 8% per annum. The Company also issued warrants to purchase a total of 3,930,006 common shares of NWI and 750,000 common shares of NWT at an exercise price of $0.67 per share. Of these warrants, 4,650,621 expire on June 24, 2004 and 29,385 expire on July 15, 2004. Immediately upon the closing of the Series C preferred stock financing, the principal amount under convertible subordinated debentures and accrued interest of approximately $130,000 thereon converted into shares of Series C preferred stock at $2.78 per share.

Warrants

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

A summary of warrant activity is as follows:

	DECEMBER 31,					
	1997		1998		1999	
	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
NWI WARRANTS						
Outstanding, beginning of year.....	--	--	422,535	$1.42	2,344,815	$1.42
Granted.....	422,535	$1.42	1,922,280	$1.42	6,150,075	$1.61
Outstanding, end of year.....	422,535	$1.42	2,344,815	$1.42	8,494,890	$1.56
NWT WARRANTS						
Outstanding, beginning of year.....	--		105,633	$1.42	240,315	$1.42
Granted.....	105,633	$1.42	134,682	$1.42	750,000	$0.67
Outstanding, end of year.....	105,633	$1.42	240,315	$1.42	990,315	$0.85

In connection with Series C financing in 1999 (see Note 8), the Company issued warrants to buy 2,148,639 common shares of the Company. These warrants may be exercised at $3.33 per share (for 2,119,071 warrants) and $2.78 per share (for 29,568 warrants) at any time up to December 31, 2004. The Company estimated the fair market value of these warrants at the date of issuance was nominal and, accordingly, no value has been assigned to them.

In connection with the convertible subordinated debenture transaction, the Company issued warrants to buy 3,930,006 common shares of NWI and 750,000 common shares of NWT. These warrants may be exercised at $0.67 per share. The Company estimated that the fair value of the warrants at the date of issuance was approximately $4.3 million as the exercise price per common share was less than deemed fair value per common share. Accordingly, the Company allocated the gross debenture proceeds of $3,120,000 toward the value of these warrants. This also resulted in non-cash interest expense totaling $3,120,000 in fiscal 1999 to accrete the debt discount (resulting from the allocation of proceeds to the warrant) from the time of debenture issuance to conversion to Series C.

In connection with line of credit financing (see Note 6), the Company issued warrants to buy 71,430 Series C convertible and redeemable preferred shares of the Company. These warrants may be exercised at $2.10 per share at any time up to expiration at December 31, 2004. The Company believes the fair value of these warrants at the date of issuance was nominal and, accordingly, no value has been assigned to them.

In connection with the Series B financing in 1997 and 1998 (see Note 8), NWI issued warrants to buy 422,535 and 1,922,280 common shares of NWI, respectively, and NWT issued warrants to buy 105,633 and 134,682 common shares of NWT, respectively. These warrants may be exercised at $1.42 per share at any time up to December 31, 2002 (for 528,168 of the warrants) and April 24, 2003 (for 2,056,962 of the warrants). The Company believes the fair market value of these warrants at the date of issuance was nominal and, accordingly, no value has been assigned to them.

Stock Option Plans

The Company's June 1997 stock option plan (the "1997 Plan") for employees authorizes the granting of options for up to 12,000,000 shares of the Company's common stock as of December 31, 1999. Generally, options are to be granted at prices equal to at least 100% of the fair value of the stock at the date of grant, expire not later than ten years from the date of grant and become exercisable ratably over a four-year period following the date of grant. From time to time, as approved by the Company's Board of Directors, options with differing terms have also been granted. The Plan provides that any shares issued come from the Company's authorized but unissued or reacquired common stock.

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

A summary of stock option activity is as follows:

	OPTIONS OUTSTANDING	OPTIONS AVAILABLE FOR GRANT	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE
Options authorized at inception (June 2, 1997).....	--	1,800,000	--
Granted.....	1,521,000	(1,521,000)	$0.72
Cancelled.....	(115,500)	115,500	$0.71
New authorized options.....	--	588,150	--
Options outstanding, December 31, 1997.....	1,405,500	982,650	$0.72
New authorized options.....	--	1,500,000	--
Granted.....	2,337,000	(2,337,000)	$0.84
Cancelled.....	(322,500)	322,500	$0.76
Options outstanding, December 31, 1998.....	3,420,000	468,150	$0.80
New authorized options.....	--	2,111,850	--
Granted.....	852,000	(852,000)	$0.95
Exercised.....	(41,250)		$0.71
Cancelled.....	(198,750)	198,750	$0.78
Options outstanding, December 31, 1999.....	4,032,000	1,926,750	$0.83
Granted (unaudited).....	1,272,450	(1,272,450)	$2.85
Exercised (unaudited).....	(361,500)	--	$0.15
Cancelled (unaudited).....	(122,625)	122,625	$1.08
Options outstanding, June 30, 2000 (unaudited).....	4,820,325	776,925	$1.41
Exercisable, December 31, 1997.....	5,001		$0.71
Exercisable, December 31, 1998.....	328,752		$0.65
Exercisable, December 31, 1999.....	1,327,752		$0.66
Exercisable, June 30, 2000 (unaudited).....	1,380,627		$0.85

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

	OUTSTANDING			EXERCISABLE	
	WEIGHTED AVERAGE			WEIGHTED AVERAGE	
EXERCISE PRICE PER SHARE	SHARES	LIFE (YEARS)	EXERCISE PRICE	SHARES	EXERCISE PRICE
$0.03	300,000	8.77	$0.03	300,000	$0.03
$0.71	909,750	7.00	0.71	471,003	0.71
$0.95	2,811,750	9.10	0.95	556,749	0.95
	4,021,500			1,327,752	

In 1998, the Company granted 300,000 options to an employee at $0.03 per share. On the grant date, the deemed fair value of a share of common stock was in excess of the exercise price. Accordingly, the Company has recognized gross deferred compensation of $276,000, of which $115,000 and $161,000 were recognized in 1998 and 1999, respectively.

In 1999, the Company issued 852,000 options at $0.95 per share to employees. On the grant dates the deemed fair value of a share of common stock was in excess of $0.95 per share. Accordingly, the Company has recognized gross deferred compensation related to these grants of $859,000 of which $800,000 is unamortized as of December 31, 1999. This deferred charge will be amortized to expense over the four-year vesting period of these options.

Of the remaining 3,558,000 options granted through December 31, 1999, 1,521,000 and 2,037,000 were granted in 1997 and 1998, respectively. These options were granted at exercise prices which the Company believes approximated fair value at the date of grant.

In February 2000, the Company granted 375,000 additional stock options at $1.67 per share. In connection with this grant, the Company has recorded $295,000 (unaudited) of gross deferred stock compensation in the first quarter of fiscal 2000. The deferred compensation will be amortized over the four year vesting from the date of the grant.

In April and May 2000, the Company granted a total of 907,950 options to employees at an average price of $3.33 per share. In connection with this grant, the Company has recorded $169,000 (unaudited) of gross deferred stock compensation in the second quarter of fiscal 2000.

In August 2000, the Company granted 1,941,150 options to employees at an exercise price of $7.50. The Company believes these options were granted at fair value as of the date of the grant.

As permitted, the Company has adopted the disclosure only provisions of SFAS No. 123. Accordingly, no compensation expense, except as specifically described above, has been recognized for the stock option plans. The fair value of these option grants were estimated on the date of grant using an option-pricing model with the following weighted-average assumptions: zero dividend yield; risk-free interest rates between 5.28% and 6.45%; and an expected life of five years. Had compensation expense been determined based on the fair value at the dates of grant for the years ended December 31, 1997, 1998, 1999 and for the quarters ended June 30, 1999 and 2000 consistent with the provisions of SFAS

No. 123, the Company's net loss per share would have been reported as the pro forma amounts indicated below:

	YEAR ENDED DECEMBER 31,			SIX MONTHS ENDED JUNE 30,	
	1997	1998	1999	1999	2000
				(UNAUDITED)	(UNAUDITED)
Net loss applicable to common stockholders, as reported...	$(4,979,000)	$(6,657,000)	$(19,873,000)	$(5,337,000)	$(18,136,000)
Net loss applicable to common stockholders, pro forma.....	$(5,031,000)	$(6,789,000)	$(20,201,000)	$(5,414,000)	$(18,588,000)
Net loss per share, as reported.....	$ (0.51)	$ (0.69)	$ (2.04)	$ (0.55)	$ (1.80)
Net loss per share, pro forma.....	$ (0.52)	$ (0.70)	$ (2.08)	$ (0.56)	$ (1.84)

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

Common Shares Reserved for Future Issuance

The Company has reserved shares of common stock as follows:

	DECEMBER 31, 1999	JUNE 30, 2000
		(UNAUDITED)
Stock options outstanding.....	4,032,000	4,820,325
Stock options available for future grant.....	1,926,750	776,925
Conversion of:		
Series A NWI convertible and redeemable preferred stock...	6,791,571	6,791,571
Series B NWI convertible and redeemable preferred stock...	6,252,843	6,252,843
Series C NWI convertible and redeemable preferred stock...	11,022,831	11,022,831
Series D NWI convertible preferred stock.....	--	5,317,380
Series A NWT convertible and redeemable preferred stock...	3,755,394	3,755,394
Series B NWT convertible and redeemable preferred stock...	640,842	640,842
Stock warrants -- NWI.....	8,494,890	9,473,289
Stock warrants -- NWT.....	990,315	990,315
Total reserved shares for issuance of common stock.....	43,907,436	49,841,715

Employee Stock Purchase Plan

In July 2000, the Company's Board of Directors approved the 2000 Employee Stock Purchase Plan (ESPP), subject to stockholder approval. The Company will implement the ESPP upon the effective date of an initial public offering (see Note 2). The ESPP, subject to certain limitations, will permit eligible employees of the Company to purchase common stock through payroll deductions of up to 10% of their compensation. The Company has authorized the issuance of 1,500,000 shares of common stock under the ESPP, plus an automatic annual increase, to be added on the first day of the fiscal year beginning in 2001, equal to the lesser of (a) 0.5% of the outstanding shares on the last day of the prior fiscal year,

(b) 270,000 shares, or such lesser number of shares as may determined by the Board in its sole discretion. If purchases of stock through the plan deplete this supply, we will limit, suspend or discontinue purchases under the plan until additional shares of stock are available.

10. INCOME TAXES

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

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

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

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

	YEAR ENDED DECEMBER 31,			SIX MONTHS ENDED
	1997	1998	1999	JUNE 30, 2000
				(UNAUDITED)
Federal tax provision, at statutory rate	$(1,567,000)	$(1,927,000)	$(6,464,000)	$(5,055,000)
State tax, net of federal benefit	(42,000)	(195,000)	(543,000)	(424,000)
Change in valuation allowance	1,602,000	2,069,000	5,636,000	5,421,000
Interest expense on convertible subordinated debentures	--	--	1,279,000	--
Other	7,000	53,000	92,000	58,000
	$ --	$ --	$ --	$ --

11. COMMITMENTS AND CONTINGENCIES

Operating and Capital Leases

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

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

Royalties

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

Employment Agreements

The Company has entered into an employment agreement with its President and Chief Operating Officer that provides for compensation in the event of termination of employment of 250,000 Canadian dollars (approximately $168,000 at December 31, 1999) or 125,000 Canadian dollars (approximately $84,000 at December 31, 1999) in the event of resignation within 30 days of a change in control of the

Company, plus continuation of certain benefits and pro rata payment of incentive bonuses. The Company has also entered into an employment agreement with its Chief Executive Officer that provides for a lump sum payment equivalent to annual base salary and certain additional benefits upon termination without cause or upon a change in control of the Company. Employment agreements with certain other key employees provide for six months salary payment in the event of termination without cause.

Legal Matters

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

12. SEGMENT INFORMATION AND CONCENTRATIONS OF RISK

Segment Information

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

The Company has operations in the United States and Canada. The distribution of the Company's assets in the United States and Canada as of December 31, 1998, December 31, 1999, and June 30, 2000 are $3.5 million and $2.7 million, $27.4 million and $10.7 million, and $48.3 and $7.0 million, respectively.

Concentrations of Risk

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

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

13. RETIREMENT SAVINGS PLAN

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

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

Upon the closing of the Company's initial public offering, all outstanding NWI Series A, B and C convertible and redeemable preferred stock will be converted into NWI common stock. In addition, the

NWT Series A and B will be exchanged and converted into NWI common stock with the initial public offering. The pro forma effect of this conversion has been presented as a separate column in the accompanying balance sheet.

Pro forma basic and diluted net loss per share have been computed to give effect to common equivalent shares from convertible and redeemable preferred stock and minority interest shares that will convert upon the closing of the Company's initial public offering (using the as-if-converted method) for the year ended December 31, 1999 and the six months ended June 30, 1999 and 2000.

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

	YEAR ENDED DECEMBER 31,			SIX MONTHS ENDED JUNE 30,	
	1997	1998	1999	1999	2000
				(UNAUDITED)	(UNAUDITED)
Net loss	$(4,476,000)	$(5,506,000)	$(18,469,000)	$ (4,637,000)	$(15,936,000)
Adjustments to net loss used in computing basic and diluted net loss applicable to common stockholders:					
Accretion of dividends on minority interest	(189,000)	(273,000)	(286,000)	(142,000)	(142,000)
Accretion of dividends on convertible and redeemable preferred stock	(308,000)	(859,000)	(1,096,000)	(548,000)	(1,767,000)
Amortization of offering costs for convertible and redeemable preferred stock	(6,000)	(19,000)	(22,000)	(10,000)	(291,000)
Net loss applicable to common stockholders	$(4,979,000)	$(6,657,000)	$(19,873,000)	$ (5,337,000)	$(18,136,000)
Denominator:					
Weighted average common shares outstanding			9,728,421	9,715,023	10,088,661
Adjustments to reflect assumed conversion of convertible and redeemable preferred stock from the date of issuance:					
Series A NWI			6,791,571	6,791,571	6,791,571
Series B NWI			6,252,843	6,252,843	6,252,843
Series C NWI			30,198	--	11,022,831
Series D NWI			--	--	5,317,380
Class A NWT			3,755,394	3,755,394	3,755,394
Class B NWT			640,842	640,842	640,842
Weighted average shares used in computing pro forma basic and diluted net loss per share			27,199,269	27,155,673	43,869,522

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

[NOVATEL LOGO]

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

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

	AMOUNT TO BE PAID
SEC registration fee	$ 27,720
NASD filing fee	11,000
Nasdaq National Market listing fee	95,000
Printing and engraving expenses	200,000
Legal fees and expenses	500,000
Accounting fees and expenses	250,000
Blue Sky qualification fees and expenses	25,000
Transfer Agent and Registrar fees	15,000
Miscellaneous fees and expenses	76,280
Total	$1,200,000

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

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

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

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

1. On June 30 and July 14, 2000, we issued and sold a total of 5,892,150 shares of our Series D preferred stock to accredited investors at a purchase price of $5.75 per share. We also issued and sold warrants to purchase a total of 1,178,400 shares of our common stock at an exercise price of $5.75 per share. These warrants are exercisable upon the earliest to occur of June 30, 2001, the closing of this offering or a transaction which results in a change of control of our company.

2. On December 31, 1999, we issued and sold a total of 11,022,831 shares of our Series C preferred stock to accredited investors at a purchase price of $2.78 per share. We also issued and sold

warrants to purchase a total of 2,119,071 and 29,568 shares of common stock at an exercise price of $10.00 and $8.34 per share, respectively, on or prior to December 31, 2004.

3. On October 12, 1999, we issued and sold a warrant to purchase 71,430 shares of our Series C preferred stock to a financial institution in connection with a working line of credit at an exercise price of $2.10 per share.

4. On June 24, 1999 and on July 15, 1999, we and NWT issued and sold convertible subordinated debentures to accredited investors in the total original principal amount of $3,120,000 bearing interest at the rate of 8% per annum. Of this amount, $500,000 in original principal amount was issued by our subsidiary NWT. We also issued warrants to purchase a total of 3,930,006 shares of common stock at an exercise price of $0.67 per share on or prior to June 24, 2004 or July 15, 2004 depending on their date of issuance. In connection with this financing, NWT issued warrants to purchase 750,000 shares of NWT's common stock, which shares of NWT common stock are thereafter exchangeable on a one-for-one basis for shares of our common stock. Immediately upon the closing of our Series C preferred stock financing, the principal amount then outstanding under these convertible subordinated debentures, together with accrued interest thereon, automatically converted into 1,166,721 shares of our Series C preferred stock at a price of $2.78 per share without the payment of additional consideration.

5. On December 23, 1997, April 24, 1998 and September 1, 1998, we issued and sold a total of 6,252,843 shares of our Series B preferred stock to accredited investors at a purchase price of $1.42 per share. In addition, on December 23, 1997, our subsidiary NWT issued an aggregate of 640,842 shares of its Series B preferred stock. These NWT shares are exchangeable on a one-for-one basis for shares of our Series B preferred stock. During this period, we also issued warrants to purchase 2,344,815 shares of our common stock at an exercise price of $1.42 per share. In connection with this financing, NWT issued warrants to purchase 240,315 shares of NWT's common stock at an exercise price of $1.42 per share which shares of NWT common stock are thereafter exchangeable on a one-for-one basis for shares of our common stock. 528,168 of the warrants that each of Novatel and NWT issued in connection with this Series B financing are exercisable on or before December 31, 2002 and 2,056,962 of such warrants are exercisable on or before April 24, 2003.

6. At September 13, 2000, we have outstanding options to purchase 10,252,218 shares of our common stock to a number of our employees, directors and consultants.

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

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) EXHIBITS

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT
1.1*	Form of underwriting agreement.
3.1	Form of Amended and Restated Certificate of Incorporation of Novatel Wireless, Inc., to be effective upon consummation of this offering.
3.2	Form of Amended and Restated Bylaws of Novatel Wireless, Inc., to be effective upon consummation of this offering.
4.1	Form of Specimen Common Stock Certificate.
5.1*	Opinion of Orrick, Herrington & Sutcliffe LLP regarding the legality of the common stock being registered.
10.1	Amended and Restated 1997 Stock Option Plan of Novatel Wireless, Inc.
10.2	2000 Stock Incentive Plan of Novatel Wireless, Inc.
10.3	2000 Employee Stock Purchase Plan of Novatel Wireless, Inc.
10.4**	Amended and Restated Registration Rights Agreement, dated as of June 15, 1999, by and among Novatel Wireless, Inc. and some of its stockholders.
10.5**	Amended and Restated Investors' Rights Agreement, dated as of June 30, 2000, by and among Novatel Wireless, Inc. and some of its stockholders.
10.6	Form of Indemnification Agreement to be entered into by and between Novatel Wireless, Inc. and its officers and directors.
10.7	Loan and Security Agreement, dated as of October 12, 1999, by and between Novatel Wireless, Inc. and Venture Banking Group, a division of Cupertino National Bank, as amended.
10.8	Real Property Sublease, dated as of July 7, 2000, by and between Sicor Inc. (formerly Gensia Sicor, Inc.) and Novatel Wireless, Inc., for 9360 Towne Centre Drive, San Diego, California.
10.9**	Real Property Lease, dated as of February 1, 1997, by and between Novatel Wireless Technologies Ltd. and Sun Life Assurance Company of Canada, for 6715 8th St., N.E., Calgary, Alberta.
10.10+**	Supply Agreement, dated as of March 31, 2000, by and between Novatel Wireless, Inc. and Hewlett-Packard Company.
10.11+**	Technology License, Manufacturing and Purchase Agreement, dated as of October 13, 1999, by and between Novatel Wireless, Inc. and Metricom, Inc.
10.12+**	Supply Agreement, dated as of July 15, 1999, by and between Novatel Wireless, Inc. and OpenSky Corporation (currently known as OmniSky Corporation).
10.13+**	Electronic Manufacturing Services, dated as of September 3, 1999, by and between Novatel Wireless, Inc. and Sanmina (Canada) ULC.
10.14+**	Letter Agreement, dated as of March 15, 2000, by and between Novatel Wireless, Inc. and Symbol Technologies, Inc.
10.15+**	Agreement for Purchase and Sale of Novatel Wireless, Inc. Mobile Terminal Units dated as March 2000 by and between Novatel Wireless, Inc. and VoiceStream Wireless Corporation.
10.16*	Agreement for Electronic Manufacturing Services, dated as of April 8, 2000, by and between Novatel Wireless, Inc. and GVC Corporation.
10.17	Employment Agreement, dated as of July 24, 2000, by and between Novatel Wireless, Inc. and John Major.
10.18	Employment Agreement, dated as of August 21, 1996, by and among Novatel Wireless, Inc., Novatel Wireless Technologies Ltd. and Ambrose Tam.
10.19	Standard Manufacturing Agreement, dated as of August 8, 2000, by and between Novatel Wireless, Inc. and Solectron de Mexico, S.A. de C.V.

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT
21.1**	Subsidiaries of Novatel Wireless, Inc.
23.1	Consent of Arthur Andersen LLP, Independent Public Accountants.
23.2*	Consent of Orrick, Herrington & Sutcliffe LLP (contained in their opinion filed as Exhibit 5.1).
24.1**	Power of Attorney (included in the signature page to this registration statement).
27.1	Financial Data Schedule.

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 * To be filed by amendment.
** Previously filed.
 + Confidential treatment requested as to some portions of this exhibit.

(b) FINANCIAL STATEMENT SCHEDULES

ITEM 17. UNDERTAKINGS

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

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

The undersigned registrant undertakes:

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

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

SIGNATURES

Pursuant to the requirements of the Securities Act, the registrant has duly caused this Amendment No. 2 to the registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of San Diego, State of California on September 14, 2000.

NOVATEL WIRELESS, INC.

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

POWER OF ATTORNEY

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

Pursuant to the requirements of the Securities Act, this Amendment No. 2 to the registration statement has been signed by the following persons in the capacities and on the dates indicated:

SIGNATURE	TITLE	DATE
/s/ JOHN MAJOR John Major	Chief Executive Officer and Chairman of the Board (Chief Executive Officer)	September 14, 2000
/s/ AMBROSE TAM Ambrose Tam	President, Chief Operating Officer and Chief Technology Officer	September 14, 2000
/s/ MELVIN FLOWERS Melvin Flowers	Chief Financial Officer (Chief Financial and Accounting Officer)	September 14, 2000
* H. H. Haight	Director	September 14, 2000
* Nathan Gibb	Director	September 14, 2000
* Robert Getz	Director	September 14, 2000

SIGNATURE	TITLE	DATE
/s/ DAVID OROS David Oros	Director	September 14, 2000
* Mark Rossi	Director	September 14, 2000
* Steven Sherman	Director	September 14, 2000
*By: /s/ JOHN MAJOR John Major, Attorney-In-Fact	Director	September 14, 2000

SCHEDULE II

NOVATEL WIRELESS INC.

VALUATION AND QUALIFYING ACCOUNTS

THREE YEAR PERIOD ENDED DECEMBER 31, 1999

	BALANCE AT BEGINNING OF YEAR	ADDITIONS CHARGED TO OPERATIONS	DEDUCTIONS FROM RESERVES	BALANCE AT END OF YEAR
Allowance for doubtful accounts year ended:				
December 31, 1997	$ 44,000	$ --	$ --	$ 44,000
December 31, 1998	44,000	--	--	44,000
December 31, 1999	44,000	137,000	--	181,000
Warranty reserve year ended:				
December 31, 1997	81,000	8,000	--	89,000
December 31, 1998	89,000	155,000	--	244,000
December 31, 1999	244,000	132,000	140,000	236,000
Deferred tax asset valuation allowance:				
December 31, 1997	1,590,000	1,478,000	--	3,068,000
December 31, 1998	3,068,000	1,818,000	--	4,886,000
December 31, 1999	4,886,000	4,876,000	--	9,762,000

EXHIBIT INDEX

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* To be filed by amendment.

** Previously filed.

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

(b) FINANCIAL STATEMENT SCHEDULES

EXHIBIT 3.1

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF NOVATEL WIRELESS, INC.

The undersigned, John Major and Melvin Flowers, hereby certify that:

1. They are the duly elected and acting Chief Executive Officer and Secretary, respectively, of Novatel Wireless, Inc., a Delaware corporation.

2. The Certificate of Incorporation of this corporation was originally filed with the Secretary of State of Delaware on April 26, 1996 under the name of Novatel Wireless, Inc.

3. The Certificate of Incorporation of this corporation shall be amended and restated to read in full as follows:

"ARTICLE I

The name of this corporation is Novatel Wireless, Inc. (the "Corporation").

ARTICLE II

The address of the Corporation's registered office in the State of Delaware is 1209 Orange Street, Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

ARTICLE III

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

ARTICLE IV

Upon the effective date of the filing of this Amended and Restated Certificate of Incorporation, each share of the Corporation's outstanding capital stock shall be converted and reconstituted into _____ (__) shares of Common Stock of the Corporation (the "Stock Split"). No further adjustment of any preference or price set forth in this Article IV shall be made as a result of the Stock Split, as all share amounts per share and per share numbers set forth in this Amended and Restated Certificate of Incorporation have been appropriately adjusted to reflect the Stock Split.

(A) The Corporation is authorized to issue two classes of stock to be designated, respectively, "Common Stock" and "Preferred Stock." The total number of shares which the Corporation is authorized to issue is Three Hundred Sixty Five Million (365,000,000) shares, each with a par value of $0.001 per share. Three Hundred Fifty Million (350,000,000) shares shall be Common Stock and Fifteen Million (15,000,000) shares shall be Preferred Stock.

(B) The Preferred Stock may be issued from time to time in one or more series. The Board of Directors is hereby authorized, by filing a certificate pursuant to the applicable law of the State of Delaware and within the limitations and restrictions stated in this Certificate of Incorporation, to determine or alter the rights, preferences, privileges and restrictions granted to or imposed upon any wholly unissued series of Preferred Stock and the number of shares constituting any such series and the designation thereof, or any of them; and to increase or decrease the number of shares of any series subsequent to the issuance of shares of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be so decreased, the shares constituting such decrease shall resume the status which they had prior to the adoption of the resolution originally fixing the number of shares of such series.

ARTICLE V

The number of directors of the Corporation shall be fixed from time to time by a bylaw or amendment thereof duly adopted by the Board of Directors.

ARTICLE VI

This Article VI shall become effective only when the Corporation qualifies for an exemption from Section 2115 of the California Corporations Code (the "Effective Time").

On or prior to the date on which the Corporation first provides notice of an annual meeting of the stockholders following the Effective Time, the Board of Directors of the Corporation shall divide the directors into three classes, as nearly equal in number as reasonably possible, designated Class I, Class II and Class III, respectively. Directors shall be assigned to each class in accordance with a resolution or resolutions adopted by the Board of Directors. At the first annual meeting of stockholders or any special meeting in lieu thereof following the Effective Time, the terms of the Class I directors shall expire and Class I directors shall be elected for a full term of three years. At the second annual meeting of stockholders or any special meeting in lieu thereof following the Effective Time, the terms of the Class II directors shall expire and Class II directors shall be elected for a full term of three years. At the third annual meeting of stockholders or any special meeting in lieu thereof following the Effective Time, the terms of the Class III directors shall expire and Class III directors shall be elected for a full term of three years. At each succeeding annual meeting of stockholders or special meeting in lieu thereof, directors elected to succeed the directors of the class whose terms expire at such meeting shall be elected for a full term of three years.

Prior to the Effective Time, the provisions of the preceding paragraph shall not apply, and all directors shall be elected at each annual meeting of stockholders or any special meeting in lieu thereof to hold office until the next annual meeting or special meeting in lieu thereof.

Notwithstanding the foregoing provisions of this Article VI, each director shall serve until his or her successor is duly elected and qualified or until his or her death, resignation, or removal. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

Any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal, or other causes shall be filled by either (i) the affirmative vote of the holders of a majority of the voting power of the then-outstanding shares of voting stock of the Corporation entitled to vote generally in the election of directors (the "Voting Stock") voting together as a single class; or (ii) by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board of Directors. Subject to the rights of any series of Preferred Stock then outstanding, newly created directorships resulting from any increase in the number of directors shall, unless the Board of Directors determines by resolution that any such newly created directorship shall be filled by the stockholders, be filled only by the affirmative vote of the directors then in office, even though less than a quorum of the Board of Directors, or by a sole remaining director. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the class of directors in which the new directorship was created or the vacancy occurred and until such director's successor shall have been elected and qualified.

ARTICLE VII

In the election of directors, each holder of shares of any class or series of capital stock of the Corporation shall be entitled to one vote for each share held. No stockholder will be permitted to cumulate votes at any election of directors.

ARTICLE VIII

If at any time this Corporation shall have a class of stock registered pursuant to the provisions of the Securities Exchange Act of 1934, as amended, for so long as such class is so registered, any action by the stockholders of such class must be taken at an annual or special meeting of stockholders, upon due notice and in accordance with the provisions of the Bylaws of this Corporation, and may not be taken by written consent.

ARTICLE IX

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation. Notwithstanding the foregoing, the provisions set forth in Articles VI, X, XIII and XIV, and this Article IX, of this Amended and Restated Certificate of Incorporation may not be repealed, amended or altered in any respect without the affirmative vote of the holders of at least 66 2/3% of the voting power of all of the then-outstanding shares of the voting stock of the Corporation entitled to vote.

ARTICLE X

(A) Except as otherwise provided in the Bylaws, the Bylaws may be altered or amended or new Bylaws adopted by the affirmative vote of at least 66 2/3% of the voting power of all of the then-outstanding shares of the voting stock of the Corporation entitled to vote. The Board of Directors of the Corporation is expressly authorized to adopt, amend or repeal Bylaws.

(B) The directors of the Corporation need not be elected by written ballot unless the Bylaws so provide.

(C) Advance notice of stockholder nominations for the election of directors or of business to be brought by the stockholders before any meeting of the stockholders of the Corporation shall be given in the manner provided in the Bylaws.

ARTICLE XI

Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws may provide. The books of the Corporation may be kept (subject to any provision contained in the statutes) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the bylaws of the Corporation.

ARTICLE XII

The Corporation shall have perpetual existence.

ARTICLE XIII

(A) To the fullest extent permitted by the General Corporation Law of Delaware, as the same may be amended from time to time, a director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director. If the General Corporation Law of Delaware is hereafter amended to authorize, with the approval of a corporation's stockholders, further reductions in the liability of a corporation's directors for breach of fiduciary duty, then a director of the Corporation shall not be liable for any such breach to the fullest extent permitted by the General Corporation Law of Delaware, as so amended.

(B) Any repeal or modification of the foregoing provisions of this Article XIII shall not adversely affect any right or protection of a director of the Corporation with respect to any acts or omissions of such director occurring prior to such repeal or modification.

ARTICLE XIV

(A) To the fullest extent permitted by applicable law, the Corporation is also authorized to provide indemnification of (and advancement of expenses to) such agents (and any other persons to which Delaware law permits the Corporation to provide indemnification) through Bylaw provisions, agreements with such agents or other persons, vote of stockholders or disinterested directors or otherwise, in excess of the indemnification and advancement otherwise

permitted by Section 145 of the General Corporation Law of Delaware, subject only to limits created by applicable Delaware law (statutory or non-statutory), with respect to actions for breach of duty to a corporation, its stockholders, and others.

(B) Any repeal or modification of any of the foregoing provisions of this Article XIV shall not adversely affect any right or protection of a director, officer, agent or other person existing at the time of, or increase the liability of any director of the Corporation with respect to any acts or omissions of such director, officer or agent occurring prior to such repeal or modification."

* * *

The foregoing Amended and Restated Certificate of Incorporation has been duly adopted by this Corporation's Board of Directors and stockholders in accordance with the applicable provisions of Section 228, 242 and 245 of the General Corporation Law of the State of Delaware.

Executed at San Diego, California on the _____ day of _____, _____.

_____
John Major, Chief Executive Officer

_____
Melvin Flowers, Secretary

EXHIBIT 3.2

BYLAWS

OF

NOVATEL WIRELESS, INC.

(AS AMENDED AND RESTATED EFFECTIVE _____ __, 2000)

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AMENDED AND RESTATED

BYLAWS

OF

NOVATEL WIRELESS, INC.

ARTICLE I

CORPORATE OFFICES

1.1 REGISTERED OFFICE.

The address of the Corporation's registered office in the State of Delaware is 1209 Orange Street, Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

1.2 OTHER OFFICES.

The Board of Directors may at any time establish other offices at any place or places where the Corporation is qualified to do business.

ARTICLE II

MEETINGS OF STOCKHOLDERS

2.1 PLACE OF MEETINGS.

Meetings of stockholders shall be held at any place, within or outside the State of Delaware, designated by the Board of Directors. In the absence of any such designation, stockholders' meetings shall be held at the registered office of the Corporation.

2.2 ANNUAL MEETING.

(a) The annual meeting of stockholders shall be held each year on a date and at a time designated by resolution of the Board of Directors. At the meeting, directors shall be elected and any other proper business may be transacted.

(b) Nominations of persons for election to the Board of Directors of the Corporation and the proposal of business to be transacted by the stockholders may be made at an annual meeting of stockholders (i) pursuant to the Corporation's notice with respect to such meeting, (ii) by or at the direction of the Board of Directors or (iii) by any stockholder of the Corporation who was a stockholder of record at the time of giving of the notice provided for in

this Section 2.2, who is entitled to vote at the meeting and who has complied with the notice procedures set forth in this Section 2.2.

(c) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (iii) of paragraph (b) of this Section 2.2, the stockholder must have given timely notice thereof in writing to the secretary of the Corporation, as provided in Section 2.5, and such business must be a proper matter for stockholder action under the General Corporation Law of Delaware.

(d) Only such business shall be conducted at an annual meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in these Bylaws. The chairman of the meeting shall determine whether a nomination or any business proposed to be transacted by the stockholders has been properly brought before the meeting and, if any proposed nomination or business has not been properly brought before the meeting, the chairman shall declare that such proposed business or nomination shall not be presented for stockholder action at the meeting.

(e) Nothing in this Section 2.2 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended.

2.3 SPECIAL MEETING.

(a) A special meeting of the stockholders may be called at any time by the Board of Directors, or by the chairman of the board or by the chief executive officer.

(b) Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders, if such election is set forth in the notice of such special meeting. Such nominations may be made either by or at the direction of the Board of Directors, or by any stockholder of record entitled to vote at such special meeting, provided the stockholder follows the notice procedures set forth in Section 2.5.

2.4 NOTICE OF STOCKHOLDER'S MEETINGS; AFFIDAVIT OF NOTICE.

All notices of meetings of stockholders shall be in writing and shall be sent or otherwise given in accordance with this Section 2.4 of these Bylaws not less than 10 nor more than 60 days before the date of the meeting to each stockholder entitled to vote at such meeting (or such longer or shorter time as is required by Section 2.5 of these Bylaws, if applicable). The notice shall specify the place, date, and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Written notice of any meeting of stockholders, if mailed, is given when deposited in the United States mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the Corporation. An affidavit of the secretary or an assistant secretary or of the transfer agent of the Corporation that the notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

2.5 ADVANCE NOTICE OF STOCKHOLDER NOMINEES AND OTHER STOCKHOLDER PROPOSALS.

Only persons who are nominated in accordance with the procedures set forth in this Section 2.5 shall be eligible for election as directors. Nominations of persons for election to the Board of Directors of the Corporation may be made at a meeting of stockholders by or at the direction of the Board of Directors or by any stockholder of the Corporation entitled to vote for the election of directors at the meeting who complies with the notice procedures set forth in this Section 2.5. Such nominations, other than those made by or at the direction of the Board of Directors, shall be made pursuant to timely notice in writing to the secretary of the Corporation. Stockholders may bring other business before the annual meeting, provided that timely notice is provided to the secretary of the Corporation in accordance with this section, and provided further that such business is a proper matter for stockholder action under the General Corporation Law of Delaware. To be timely, a stockholder's notice shall be delivered to or mailed and received at the principal executive offices of the Corporation not less than 90 days nor more than 120 days prior to the anniversary date of the prior year's meeting; provided, however, that in the event that (i) the date of the annual meeting is more than 30 days prior to or more than 60 days after such anniversary date, and (ii) less than 60 days notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the 10th day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made.

Such stockholder's notice shall set forth (a) as to each person whom the stockholder proposes to nominate for election or re-election as a director, (i) the name, age, business address and residence address of such person, (ii) the principal occupation or employment of such person, (iii) the class and number of shares of the Corporation which are beneficially owned by such person and (iv) any other information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including, without limitation, such person's written consent to being name in the proxy statement as a nominee and to serving as a director if elected); (b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of such business, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the proposal is made (i) the name and address of the stockholder, as they appear on the Corporation's books, and of such beneficial owner and (ii) the class and number of shares of the Corporation which are owned of record by such stockholder and beneficially by such beneficial owner.

At the request of the Board of Directors any person nominated by the Board of Directors for election as a director shall furnish to the secretary of the Corporation that information required to be set forth in a stockholder's notice of nomination which pertains to the nominee. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 2.5. The chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the procedures prescribed by the Bylaws, and if he or she should so

determine, he or she shall so declare to the meeting and the defective nomination shall be disregarded.

2.6 QUORUM.

The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the Certificate of Incorporation. If, however, such quorum is not present or represented at any meeting of the stockholders, then either (a) the chairman of the meeting or (b) the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present or represented. At such adjourned meeting at which a quorum is present or represented, any business may be transacted that might have been transacted at the meeting as originally noticed.

2.7 ADJOURNED MEETING; NOTICE.

When a meeting is adjourned to another time or place, unless these Bylaws otherwise require, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the Corporation may transact any business that might have been transacted at the original meeting. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

2.8 CONDUCT OF BUSINESS.

The chairman of any meeting of stockholders shall determine the order of business and the procedure at the meeting, including the manner of voting and the conduct of business.

2.9 VOTING.

(a) The stockholders entitled to vote at any meeting of stockholders shall be determined in accordance with the provisions of Section 2.11 of these Bylaws, subject to the provisions of Sections 217 and 218 of the General Corporation Law of Delaware (relating to voting rights of fiduciaries, pledgors and joint owners of stock and to voting trusts and other voting agreements).

(b) Except as may be otherwise provided in the Certificate of Incorporation, each stockholder shall be entitled to one vote for each share of capital stock held by such stockholder.

2.10 WAIVER OF NOTICE.

Whenever notice is required to be given under any provision of the General Corporation Law of Delaware or of the Certificate of Incorporation or these Bylaws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders need be specified in any written waiver of notice unless so required by the Certificate of Incorporation or these Bylaws.

2.11 RECORD DATE FOR STOCKHOLDER NOTICE; VOTING.

In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than 60 nor less than 10 days before the date of such meeting, nor more than 60 days prior to any other action. If the Board of Directors does not so fix a record date:

(a) The record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

(b) The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

2.12 PROXIES.

Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for such stockholder by a written proxy, signed by the stockholder and filed with the secretary of the Corporation, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A proxy shall be deemed signed if the stockholder's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission or otherwise) by the stockholder or the stockholder's attorney-in-fact. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Section 212(e) of the General Corporation Law of Delaware.

ARTICLE III

DIRECTORS

3.1 POWERS.

Subject to the provisions of the General Corporation Law of Delaware and any limitations in the Certificate of Incorporation or these Bylaws relating to action required to be approved by the stockholders or by the outstanding shares, the business and affairs of the Corporation shall be managed and all corporate powers shall be exercised by or under the direction of the Board of Directors.

3.2 NUMBER OF DIRECTORS.

The number of directors constituting the entire Board of Directors shall be eight (8). Thereafter, this number may be changed by a resolution of the Board of Directors or of the stockholders, subject to Section 3.4 of these Bylaws. No reduction of the authorized number of directors shall have the effect of removing any director before such director's term of office expires.

3.3 ELECTION, QUALIFICATION AND TERM OF OFFICE OF DIRECTORS.

Except as provided in Section 3.4 of these Bylaws, and unless otherwise provided in the Certificate of Incorporation, directors shall be elected at each annual meeting of stockholders to hold office until the next annual meeting. Directors need not be stockholders unless so required by the Certificate of Incorporation or these Bylaws, wherein other qualifications for directors may be prescribed. Each director, including a director elected to fill a vacancy, shall hold office until his or her successor is elected and qualified or until his or her earlier resignation or removal.

Unless otherwise specified in the Certificate of Incorporation, elections of directors need not be by written ballot.

3.4 RESIGNATION AND VACANCIES.

Any director may resign at any time upon written notice to the attention of the secretary of the Corporation. When one or more directors so resigns and the resignation is effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each director so chosen shall hold office as provided in this section in the filling of other vacancies. Unless otherwise provided in the Certificate of Incorporation, and subject to the rights of the holders of any series of Preferred Stock that may then be outstanding, a vacancy created by the removal of a director by the vote of the stockholders or by court order may be filled only by the affirmative vote of a majority of the shares represented and voting at a duly held meeting at which a quorum is present (which shares voting affirmatively also constitute a majority of the quorum). Each director so elected shall

hold office until the next annual meeting of the stockholders and until a successor has been elected and qualified.

Unless otherwise provided in the Certificate of Incorporation or these Bylaws:

(a) Vacancies and newly created directorships resulting from any increase in the authorized number of directors elected by all of the stockholders having the right to vote as a single class may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director.

(b) Whenever the holders of any class or classes of stock or series thereof are entitled to elect one or more directors by the provisions of the Certificate of Incorporation, vacancies and newly created directorships of such class or classes or series may be filled by a majority of the directors elected by such class or classes or series thereof then in office, or by a sole remaining director so elected.

If at any time, by reason of death or resignation or other cause, the Corporation should have no directors in office, then any officer or any stockholder or an executor, administrator, trustee or guardian of a stockholder, or other fiduciary entrusted with like responsibility for the person or estate of a stockholder, may call a special meeting of stockholders in accordance with the provisions of the Certificate of Incorporation or these Bylaws, or may apply to the Court of Chancery for a decree summarily ordering an election as provided in Section 211 of the General Corporation Law of Delaware.

If, at the time of filling any vacancy or any newly created directorship, the directors then in office constitute less than a majority of the whole Board of Directors (as constituted immediately prior to any such increase), then the Court of Chancery may, upon application of any stockholder or stockholders holding at least 10% of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office as aforesaid, which election shall be governed by the provisions of Section 211 of the General Corporation Law of Delaware as far as applicable.

3.5 PLACE OF MEETINGS; MEETINGS BY TELEPHONE.

The Board of Directors of the Corporation may hold meetings, both regular and special, either within or outside the State of Delaware. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors, or any committee, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

3.6 REGULAR MEETINGS.

Regular meetings of the Board of Directors may be held without notice at such time and at such place as shall from time to time be determined by the Board of Directors.

3.7 SPECIAL MEETINGS; NOTICE.

Special meetings of the board of directors for any purpose or purposes may be called at any time by the chairman of the board, the chief executive officer, the president, any vice president, the secretary or any two (2) directors.

Notice of the time and place of special meetings shall be delivered personally or by telephone to each director or sent by first-class mail or telegram, charges prepaid, addressed to each director at that director's address as it is shown on the records of the Corporation. If the notice is mailed, it shall be deposited in the United States mail at least four (4) days before the time of the holding of the meeting. If the notice is delivered personally or by telephone, telecopy, telegram, telex or other similar means of communication, it shall be delivered at least twenty-four (24) hours before the time of the holding of the meeting, or on such shorter notice as the person or persons calling such meeting may deem necessary and appropriate in the circumstances. Any oral notice given personally or by telephone may be communicated either to the director or to a person at the office of the director who the person giving the notice has reason to believe will promptly communicate it to the director. The notice need not specify the purpose or the place of the meeting, if the meeting is to be held at the principal executive office of the Corporation.

3.8 QUORUM.

At all meetings of the Board of Directors, a majority of the authorized number of directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute or by the Certificate of Incorporation. If a quorum is not present at any meeting of the Board of Directors, then the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

3.9 WAIVER OF NOTICE.

Whenever notice is required to be given under any provision of the General Corporation Law of Delaware or of the Certificate of Incorporation or these Bylaws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at,

nor the purpose of, any regular or special meeting of the directors, or members of a committee of directors, need be specified in any written waiver of notice unless so required by the Certificate of Incorporation or these Bylaws.

3.10 BOARD ACTION BY WRITTEN CONSENT WITHOUT A MEETING.

Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the Board of Directors or committee, as the case may be, consent thereto in writing and the writing or writings are filed with the minutes of proceedings of the Board of Directors or committee. Written consents representing actions taken by the board or committee may be executed by telex, telecopy or other facsimile transmission, and such facsimile shall be valid and binding to the same extent as if it were an original.

3.11 FEES AND COMPENSATION OF DIRECTORS.

Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, the Board of Directors shall have the authority to fix the compensation of directors. No such compensation shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

3.12 APPROVAL OF LOANS TO OFFICERS.

The Corporation may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the Corporation or of its subsidiary, including any officer or employee who is a director of the Corporation or its subsidiary, whenever, in the judgment of the directors, such loan, guaranty or assistance may reasonably be expected to benefit the Corporation. The loan, guaranty or other assistance may be with or without interest and may be unsecured, or secured in such manner as the Board of Directors shall approve, including, without limitation, a pledge of shares of stock of the Corporation. Nothing in this Section 3.2 contained shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the Corporation at common law or under any statute.

3.13 REMOVAL OF DIRECTORS.

Unless otherwise restricted by statute, by the Certificate of Incorporation or by these Bylaws, any director or the entire Board of Directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors; provided, however, that if the stockholders of the Corporation are entitled to cumulative voting, if less than the entire Board of Directors is to be removed, no director may be removed without cause if the votes cast against his removal would be sufficient to elect him if then cumulatively voted at an election of the entire Board of Directors.

No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of such director's term of office.

3.14 CHAIRMAN OF THE BOARD OF DIRECTORS.

The Corporation may also have, at the discretion of the Board of Directors, a Chairman of the Board of Directors who shall not be considered an officer of the Corporation.

ARTICLE IV

COMMITTEES

4.1 COMMITTEES OF DIRECTORS.

The Board of Directors may, by resolution passed by a majority of the whole Board of Directors, designate one or more committees, with each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors or in the Bylaws of the Corporation, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers that may require it; but no such committee shall have the power or authority to (a) amend the Certificate of Incorporation (except that a committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares of stock adopted by the Board of Directors as provided in Section 151(a) of the General Corporation Law of Delaware, fix the designations and any of the preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of assets of the Corporation or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of the same or any other class or classes of stock of the Corporation or fix the number of shares of any series of stock or authorize the increase or decrease of the shares of any series), (b) adopt an agreement of merger or consolidation under Sections 251 or 252 of the General Corporation Law of Delaware, (c) recommend to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, (d) recommend to the stockholders a dissolution of the Corporation or a revocation of a dissolution, or (e) amend the Bylaws of the Corporation; and, unless the board resolution establishing the committee, the Bylaws or the Certificate of Incorporation expressly so provide, no such committee shall have the power or authority to declare a dividend, to authorize the issuance of stock, or to adopt a certificate of ownership and merger pursuant to Section 253 of the General Corporation Law of Delaware.

4.2 COMMITTEE MINUTES.

Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required.

4.3 MEETINGS AND ACTION OF COMMITTEES.

Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of Section 3.5 (place of meetings and meetings by telephone), Section 3.6 (regular meetings), Section 3.7 (special meetings and notice), Section 3.8 (quorum), Section 3.9 (waiver of notice), and Section 3.10 (action without a meeting) of these Bylaws, with such changes in the context of such provisions as are necessary to substitute the committee and its members for the Board of Directors and its members; provided, however, that the time of regular meetings of committees may be determined either by resolution of the Board of Directors or by resolution of the committee, that special meetings of committees may also be called by resolution of the Board of Directors and that notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The Board of Directors may adopt rules for the government of any committee not inconsistent with the provisions of these Bylaws.

ARTICLE V

OFFICERS

5.1 OFFICERS.

The officers of the Corporation shall be a chief executive officer, a president, a secretary, and a chief financial officer. The Corporation may also have, at the discretion of the Board of Directors, one or more vice presidents, one or more assistant secretaries, one or more assistant treasurers, and any such other officers as may be appointed in accordance with the provisions of Section 5.3 of these Bylaws. Any number of offices may be held by the same person.

5.2 APPOINTMENT OF OFFICERS.

The officers of the Corporation, except such officers as may be appointed in accordance with the provisions of Sections 5.3 or 5.5 of these Bylaws, shall be appointed by the Board of Directors, subject to the rights, if any, of an officer under any contract of employment.

5.3 SUBORDINATE OFFICERS.

The Board of Directors may appoint, or empower the chief executive officer or the president to appoint, such other officers and agents as the business of the Corporation may require, each of whom shall hold office for such period, have such authority, and perform such duties as are provided in these Bylaws or as the Board of Directors may from time to time determine.

5.4 REMOVAL AND RESIGNATION OF OFFICERS.

Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, either with or without cause, by an affirmative vote of the majority of

the Board of Directors at any regular or special meeting of the Board of Directors or, except in the case of an officer chosen by the Board of Directors, by any officer upon whom such power of removal may be conferred by the Board of Directors.

Any officer may resign at any time by giving written notice to the attention of the secretary of the Corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Corporation under any contract to which the officer is a party.

5.5 VACANCIES IN OFFICES.

Any vacancy occurring in any office of the Corporation shall be filled by the Board of Directors.

5.6 CHIEF EXECUTIVE OFFICER.

Subject to such supervisory powers, if any, as may be given by the Board of Directors to the chairman of the board, if any, the chief executive officer of the Corporation shall, subject to the control of the Board of Directors, have general supervision, direction, and control of the business and the officers of the Corporation. He or she shall preside at all meetings of the stockholders and, in the absence or nonexistence of a chairman of the board, at all meetings of the Board of Directors and shall have the general powers and duties of management usually vested in the office of chief executive officer of a corporation and shall have such other powers and duties as may be prescribed by the Board of Directors or these Bylaws.

5.7 PRESIDENT.

Subject to such supervisory powers, if any, as may be given by the Board of Directors to the chairman of the board (if any) or the chief executive officer, the president shall have general supervision, direction, and control of the business and other officers of the Corporation. He or she shall have the general powers and duties of management usually vested in the office of president of a corporation and such other powers and duties as may be prescribed by the Board of Directors or these Bylaws.

5.8 VICE PRESIDENTS.

In the absence or disability of the chief executive officer and president, the vice presidents, if any, in order of their rank as fixed by the Board of Directors or, if not ranked, a vice president designated by the Board of Directors, shall perform all the duties of the president and when so acting shall have all the powers of, and be subject to all the restrictions upon, the president. The vice presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the Board of Directors, these Bylaws, the president or the chairman of the board.

5.9 SECRETARY.

The secretary shall keep or cause to be kept, at the principal executive office of the Corporation or such other place as the Board of Directors may direct, a book of minutes of all meetings and actions of directors, committees of directors, and stockholders. The minutes shall show the time and place of each meeting, the names of those present at directors' meetings or committee meetings, the number of shares present or represented at stockholders' meetings, and the proceedings thereof.

The secretary shall keep, or cause to be kept, at the principal executive office of the Corporation or at the office of the Corporation's transfer agent or registrar, as determined by resolution of the Board Of Directors, a share register, or a duplicate share register, showing the names of all stockholders and their addresses, the number and classes of shares held by each, the number and date of certificates evidencing such shares, and the number and date of cancellation of every certificate surrendered for cancellation.

The secretary shall give, or cause to be given, notice of all meetings of the stockholders and of the Board of Directors required to be given by law or by these Bylaws. He or she shall keep the seal of the Corporation, if one be adopted, in safe custody and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or by these Bylaws.

5.10 CHIEF FINANCIAL OFFICER.

The chief financial officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital retained earnings, and shares. The books of account shall at all reasonable times be open to inspection by any director.

The chief financial officer shall deposit all moneys and other valuables in the name and to the credit of the Corporation with such depositories as may be designated by the Board of Directors. He or she shall disburse the funds of the Corporation as may be ordered by the Board of Directors, shall render to the president, the chief executive officer, or the directors, upon request, an account of all his or her transactions as chief financial officer and of the financial condition of the Corporation, and shall have other powers and perform such other duties as may be prescribed by the Board of Directors or the Bylaws.

5.11 REPRESENTATION OF SHARES OF OTHER CORPORATIONS.

The chairman of the board, the chief executive officer, the president, any vice president, the chief financial officer, the secretary or assistant secretary of this Corporation, or any other person authorized by the Board of Directors or the chief executive officer or the president or a vice president, is authorized to vote, represent, and exercise on behalf of this Corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of this Corporation. The authority granted herein may be exercised either

by such person directly or by any other person authorized to do so by proxy or power of attorney duly executed by the person having such authority.

5.12 AUTHORITY AND DUTIES OF OFFICERS.

In addition to the foregoing authority and duties, all officers of the Corporation shall respectively have such authority and perform such duties in the management of the business of the Corporation as may be designated from time to time by the Board of Directors or the stockholders.

ARTICLE VI

INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES, AND OTHER AGENTS

6.1 INDEMNIFICATION OF DIRECTORS AND OFFICERS.

The Corporation shall, to the maximum extent and in the manner permitted by the General Corporation Law of Delaware, indemnify each of its directors and officers against expenses (including attorneys' fees), judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceeding, arising by reason of the fact that such person is or was an agent of the Corporation. For purposes of this Section 6.1, a "director" or "officer" of the Corporation includes any person (a) who is or was a director or officer of the Corporation, (b) who is or was serving at the request of the Corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, or (c) who was a director or officer of a Corporation which was a predecessor corporation of the Corporation or of another enterprise at the request of such predecessor corporation.

6.2 INDEMNIFICATION OF OTHERS.

The Corporation shall have the power, to the maximum extent and in the manner permitted by the General Corporation Law of Delaware, to indemnify each of its employees and agents (other than directors and officers) against expenses (including attorneys' fees), judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceeding, arising by reason of the fact that such person is or was an agent of the Corporation. For purposes of this Section 6.2, an "employee" or "agent" of the Corporation (other than a director or officer) includes any person (a) who is or was an employee or agent of the Corporation, (b) who is or was serving at the request of the Corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, or (c) who was an employee or agent of a corporation which was a predecessor corporation of the Corporation or of another enterprise at the request of such predecessor corporation.

6.3 PAYMENT OF EXPENSES IN ADVANCE.

Expenses incurred in defending any action or proceeding for which indemnification is required pursuant to Section 6.1 or for which indemnification is permitted

pursuant to Section 6.2 following authorization thereof by the Board of Directors shall be paid by the Corporation in advance of the final disposition of such action or proceeding upon receipt of an undertaking by or on behalf of the indemnified party to repay such amount if it shall ultimately be determined that the indemnified party is not entitled to be indemnified as authorized in this Article VI.

6.4 INDEMNITY NOT EXCLUSIVE.

The indemnification provided by this Article VI shall not be deemed exclusive of any other rights to which those seeking indemnification may been titled under any Bylaw, agreement, vote of shareholders or disinterested directors or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office, to the extent that such additional rights to indemnification are authorized in the Certificate of Incorporation.

6.5 INSURANCE.

The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under the provisions of the General Corporation Law of Delaware.

6.6 CONFLICTS.

No indemnification or advance shall be made under this Article VI, except where such indemnification or advance is mandated by law or the order, judgment or decree of any court of competent jurisdiction, in any circumstance where it appears:

(a) That it would be inconsistent with a provision of the Certificate of Incorporation, these Bylaws, a resolution of the stockholders or an agreement in effect at the time of the accrual of the alleged cause of the action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification; or

(b) That it would be inconsistent with any condition expressly imposed by a court in approving a settlement.

ARTICLE VII

RECORDS AND REPORTS

7.1 MAINTENANCE AND INSPECTION OF RECORDS.

The Corporation shall, either at its principal executive offices or at such place or places as designated by the Board of Directors, keep a record of its stockholders listing their

names and addresses and the number and class of shares held by each stockholder, a copy of these Bylaws as amended to date, accounting books, and other records.

Any stockholder of record, in person or by attorney or other agent, shall, upon written demand under oath stating the purpose thereof, have the right during the usual hours for business to inspect for any proper purpose the Corporation's stock ledger, a list of its stockholders, and its other books and records and to make copies or extracts therefrom. A proper purpose shall mean a purpose reasonably related to such person's interest as a stockholder. In every instance where an attorney or other agent is the person who seeks the right to inspection, the demand under oath shall be accompanied by a power of attorney or such other writing that authorizes the attorney or other agent to so act on behalf of the stockholder. The demand under oath shall be directed to the Corporation at its registered office in Delaware or at its principal place of business.

7.2 INSPECTION BY DIRECTORS.

Any director shall have the right to examine the Corporation's stockledger, a list of its stockholders, and its other books and records for a purpose reasonably related to his or her position as a director. The Court of Chancery is hereby vested with the exclusive jurisdiction to determine whether a director is entitled to the inspection sought. The Court may summarily order the Corporation to permit the director to inspect any and all books and records, the stock ledger, and the stock list and to make copies or extracts therefrom. The Court may, in its discretion, prescribe any limitations or conditions with reference to the inspection, or award such other and further relief as the Court may deem just and proper.

7.3 ANNUAL STATEMENT TO STOCKHOLDERS.

The Board of Directors shall present at each annual meeting, and at any special meeting of the stockholders when called for by vote of the stockholders, a full and clear statement of the business and condition of the Corporation.

ARTICLE VIII

GENERAL MATTERS

8.1 CHECKS.

From time to time, the Board of Directors shall determine by resolution which person or persons may sign or endorse all checks, drafts, other orders for payment of money, notes or other evidences of indebtedness that are issued in the name of or payable to the Corporation, and only the persons so authorized shall sign or endorse those instruments.

8.2 EXECUTION OF CORPORATE CONTRACTS AND INSTRUMENTS.

The Board of Directors, except as otherwise provided in these Bylaws, may authorize any officer or officers, or agent or agents, to enter into any contract or execute any

instrument in the name of and on behalf of the Corporation; such authority may be general or confined to specific instances. Unless so authorized or ratified by the Board of Directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

8.3 STOCK CERTIFICATES; PARTLY PAID SHARES.

The shares of the Corporation shall be represented by certificates, provided that the Board of Directors of the Corporation may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation. Notwithstanding the adoption of such a resolution by the Board of Directors, every holder of stock represented by certificates and upon request every holder of uncertificated shares shall be entitled to have a certificate signed by, or in the name of the Corporation by the chairman or vice-chairman of the Board of Directors, or the chief executive officer or the president or vice-president, and by the chief financial officer or an assistant treasurer, or the secretary or an assistant secretary of the Corporation representing the number of shares registered in certificate form. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue.

The Corporation may issue the whole or any part of its shares as partly paid and subject to call for the remainder of the consideration to be paid therefor. Upon the face or back of each stock certificate issued to represent any such partly paid shares, upon the books and records of the Corporation in the case of uncertificated partly paid shares, the total amount of the consideration to be paid therefor and the amount paid thereon shall be stated. Upon the declaration of any dividend on fully paid shares, the Corporation shall declare a dividend upon partly paid shares of the same class, but only upon the basis of the percentage of the consideration actually paid thereon.

8.4 SPECIAL DESIGNATION ON CERTIFICATES.

If the Corporation is authorized to issue more than one class of stock or more than one series of any class, then the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate that the Corporation shall issue to represent such class or series of stock; provided, however, that, except as otherwise provided in Section 202 of the General Corporation Law of Delaware, in lieu of the foregoing requirements there may be set forth on the face or back of the certificate that the Corporation shall issue to represent such class or series of stock a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, the designations, the preferences, and the relative,

participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

8.5 LOST CERTIFICATES.

Except as provided in this Section 8.5, no new certificates for shares shall be issued to replace a previously issued certificate unless the latter is surrendered to the Corporation and canceled at the same time. The Corporation may issue a new certificate of stock or uncertificated shares in the place of any certificate previously issued by it, alleged to have been lost, stolen or destroyed, and the Corporation may require the owner of the lost, stolen or destroyed certificate, or the owner's legal representative, to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares.

8.6 CONSTRUCTION; DEFINITIONS.

Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the Delaware General Corporation Law shall govern the construction of these Bylaws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both a corporation and a natural person.

8.7 DIVIDENDS.

The directors of the Corporation, subject to any restrictions contained in (a) the General Corporation Law of Delaware or (b) the Certificate of Incorporation, may declare and pay dividends upon the shares of its capital stock. Dividends may be paid in cash, in property, or in shares of the Corporation's capital stock.

The directors of the Corporation may set apart out of any of the funds of the Corporation available for dividends a reserve or reserves for any proper purpose and may abolish any such reserve. Such purposes shall include but not be limited to equalizing dividends, repairing or maintaining any property of the Corporation, and meeting contingencies.

8.8 FISCAL YEAR.

The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors and may be changed by the Board of Directors.

8.9 SEAL.

The Corporation may adopt a corporate seal, which may be altered at pleasure, and may use the same by causing it or a facsimile thereof, to be impressed or affixed or in any other manner reproduced.

8.10 TRANSFER OF STOCK.

Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate, and record the transaction in its books.

8.11 STOCK TRANSFER AGREEMENTS.

The Corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the Corporation to restrict the transfer of shares of stock of the Corporation of any one or more classes owned by such stockholders in any manner not prohibited by the General Corporation Law of Delaware.

8.12 REGISTERED STOCKHOLDERS.

The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends and to vote as such owner, shall be entitled to hold liable for calls and assessments the person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of another person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE IX

AMENDMENTS

The Bylaws of the Corporation may be adopted, amended or repealed by the stockholders entitled to vote; provided, however, that the Corporation may, in its Certificate of Incorporation, confer the power to adopt, amend or repeal Bylaws upon the directors. The fact that such power has been so conferred upon the directors shall not divest the stockholders of the power, nor limit their power to adopt, amend or repeal Bylaws.

CERTIFICATE OF ADOPTION OF
AMENDED AND RESTATED BYLAWS

OF

NOVATEL WIRELESS, INC.

The undersigned hereby certifies that the undersigned is the duly elected, qualified, and acting Secretary of Novatel Wireless, Inc. (the "Corporation"), and that the foregoing Amended and Restated Bylaws were adopted as the Bylaws of the corporation on July 24, 2000 by the Board of Directors of the corporation.

Executed this _____ day of _____, 2000.

_____
Melvin L. Flowers, Secretary

EXHIBIT 4.1

COMMON STOCK
[SEAL]

COMMON STOCK
[SEAL]

[NOVATEL WIRELESS LOGO]

INCORPORATED UNDER THE LAWS OF
THE STATE OF DELAWARE

SEE REVERSE FOR
CERTAIN DEFINITIONS

CUSIP 66987M 10 9

- ---

THIS CERTIFIES THAT

is the record holder of

FULLY PAID AND NONASSESSABLE SHARES OF COMMON STOCK,
PAR VALUE $.001 PER SHARE, OF

NOVATEL WIRELESS, INC.

transferable on the books of the Corporation by the holder hereof in person or by duly authorized attorney upon surrender of this Certificate properly endorsed. This Certificate is not valid until countersigned and registered by the Transfer Agent and Registrar.

WITNESS the facsimile seal of the Corporation and the facsimile signatures of its duly authorized officers.

Dated:

[CORPORATE SEAL OF NOVATEL WIRELESS, INC.]

/s/ MELVIN FLOWERS

SECRETARY

/s/ JOHN MAJOR

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

COUNTERSIGNED AND REGISTERED:

U.S. STOCK TRANSFER CORPORATION
TRANSFER AGENT AND REGISTRAR

By:

AUTHORIZED SIGNATURE

NOVATEL WIRELESS, INC.

The Corporation shall furnish without charge to each stockholder who so requests a statement of the powers, designations, preferences and relative, participating, optional, or other special rights of each class of stock of the Corporation or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Such requests shall be made to the Corporation's Secretary at the principal office of the Corporation.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM	--	as tenants in common	UNIF GIFT MIN ACT --	_____Custodian_____ (Cust) (Minor) under Uniform Gifts to Minors Act_____ (State)
TEN ENT	--	as tenants by the entireties		
JT TEN	--	as joint tenants with right of survivorship and not as tenants in common	UNIF TRF MIN ACT --	_____Custodian (until age_____) (Cust) _____under Uniform Transfers (Minor) to Minors Act_____ (State)

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED,_____hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF ASSIGNEE
- ----------

- ----------

_____
(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OF ASSIGNEE)

_____

_____

_____ Shares of the common stock represented by the within Certificate, and do hereby irrevocably constitute and appoint

_____ Attorney to transfer the said stock on the books of the within named Corporation with full power of substitution in the premises.

Dated_____

X_____

X_____

NOTICE: THE SIGNATURE(S) TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

Signature(s) Guaranteed

By_____
THE SIGNATURE(S) MUST BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17Ad-15.

EXHIBIT 10.1

NOVATEL WIRELESS, INC.

AMENDED AND RESTATED
1997 EMPLOYEE STOCK OPTION PLAN

ARTICLE I

GENERAL TERMS

1.1 PURPOSE OF PLAN; TERM

(a) ADOPTION. In August 2000, the Board of Directors (the "Board") of Novatel Wireless, Inc., a Delaware corporation (the "Company"), adopted this stock option plan to be known as the Amended and Restated Novatel 1997 Employee Stock Option Plan (the "Plan").

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

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

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

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

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

1.2 STOCK AND MAXIMUM NUMBER OF SHARES SUBJECT TO PLAN

(a) DESCRIPTION OF STOCK AND MAXIMUM SHARES ALLOCATED. The stock subject to the provisions of the Plan and issuable upon exercise of Options granted under the Plan is shares of the Company's Common Stock, $.001 par value pet share (the "Stock"), which may be either unissued or treasury shares, as the Board may from time to time determine. Subject to adjustment as provided in Section 3.1 hereof, the aggregate number of shares of Stock covered by the Plan and issuable hereunder shall be 12,000,000 shares of Stock.

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

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

1.3 APPROVAL; AMENDMENTS

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

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

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

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

ARTICLE II

GRANT PROGRAM

2.1 PARTICIPANTS; ADMINISTRATION

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

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

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

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

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

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

2.2 TERMS AND CONDITIONS OF OPTIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(j) TERMINATION OF INCENTIVE STOCK OPTIONS

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

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

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

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

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

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

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

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

ARTICLE III

MISCELLANEOUS

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

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

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

3.4 CHANGE IN CONTROL

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.14 SECURITIES RESTRICTIONS

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

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

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

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

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

3.15 TAX WITHHOLDING

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

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

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

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

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

ARTICLE IV

DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

EXECUTED as of the day of September, 2000.

NOVATEL WIRELESS, INC.

By:

John Major
Chief Executive Officer

ATTESTED BY:

- ---
Melvin Flowers
Secretary

EXHIBIT 10.2

NOVATEL WIRELESS, INC.

2000 STOCK INCENTIVE PLAN

TABLE OF CONTENTS

NOVATEL WIRELESS, INC.

2000 STOCK INCENTIVE PLAN

EFFECTIVE AS OF _____, 2000

SECTION 1. INTRODUCTION.

The Company's Board of Directors adopted the Novatel Wireless, Inc. 2000 Stock Incentive Plan on July 24, 2000 (the "Adoption Date"), and the Company's stockholders approved the Plan on _____. 2000. The Plan is effective on the date of our initial public offering.

The purpose of the Plan is to promote the long-term success of the Company and the creation of shareholder value by offering Key Employees an opportunity to acquire a proprietary interest in the success of the Company, or to increase such interest, and to encourage such selected persons to continue to provide services to the Company and to attract new individuals with outstanding qualifications.

The Plan seeks to achieve this purpose by providing for Awards in the form of Restricted Stock, Stock Units, Stock Appreciation Rights and Options (which may be Incentive Stock Options or Nonstatutory Stock Options).

The Plan shall be governed by, and construed in accordance with, the laws of the State of Delaware (except its choice-of-law provisions). Capitalized terms shall have the meaning provided in Section 2 unless otherwise provided in this Plan or the applicable Stock Option Agreement, SAR Agreement, Stock Unit Agreement or Restricted Stock Agreement.

SECTION 2. DEFINITIONS.

(a) "AFFILIATE" means any entity other than a Subsidiary, if the Company and/or one or more Subsidiaries own not less than 50% of such entity. For purposes of determining an individual's "Service," this definition shall include any entity other than a Subsidiary, if the Company, a Parent and/or one or more Subsidiaries own not less than 50% of such entity.

(b) "AWARD" means any award of an Option, SAR, Stock Unit or Restricted Stock under the Plan.

(c) "BOARD" means the Board of Directors of the Company, as constituted from time to time.

(d) "CHANGE IN CONTROL" except as may otherwise be provided in a Stock Option Agreement, SAR Agreement, Stock Unit Agreement or Restricted Stock Agreement, means the occurrence of any of the following:

(i) The consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization, if more than 50% of the combined voting power of the continuing or surviving entity's securities outstanding immediately after such merger, consolidation or other reorganization is owned by persons who were not stockholders of the Company immediately prior to such merger, consolidation or other reorganization;

(ii) The sale, transfer or other disposition of all or substantially all of the Company's assets;

(iii) A change in the composition of the Board, as a result of which fewer that one-half of the incumbent directors are directors who either (i) had been directors of the Company on the date 24 months prior to the date of the event that may constitute a Change in Control (the "original directors") or (ii) were elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the aggregate of the original directors who were still in office at the time of the election or nomination and the directors whose election or nomination was previously so approved;

(iv) Any transaction as a result of which any person becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing at least 20% of the total voting power represented by the Company's then outstanding voting securities. For purposes of this Paragraph (iii), the term "person" shall have the same meaning as when used in sections 13(d) and 14(d) of the Exchange Act but shall exclude:

(A) A trustee or other fiduciary holding securities under an employee benefit plan of the Company or a subsidiary of the Company;

(B) A corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the common stock of the Company; and

(C) The Company; or

(v) A complete liquidation or dissolution of the Company.

(e) "CODE" means the Internal Revenue Code of 1986, as amended.

(f) "COMMITTEE" means a committee consisting of one or more members of the Board that is appointed by the Board (as described in Section 3) to administer the Plan.

(g) "COMMON STOCK" means the Company's common stock.

(h) "COMPANY" means Novatel Wireless, Inc., a Delaware corporation.

(i) "CONSULTANT" means an individual who performs bona fide services to the Company, a Parent, a Subsidiary or an Affiliate other than as an Employee or Director or Non-Employee Director.

(j) "DIRECTOR" means a member of the Board who is also an Employee.

(k) "DISABILITY" means that the Key Employee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.

(l) "EMPLOYEE" means any individual who is a common-law employee of the Company, a Parent, a Subsidiary or an Affiliate.

(m) "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

(n) "EXERCISE PRICE" means, in the case of an Option, the amount for which a Share may be purchased upon exercise of such Option, as specified in the applicable Stock Option Agreement. "Exercise Price," in the case of a SAR, means an amount, as specified in the applicable SAR Agreement, which is subtracted from the Fair Market Value of a Share in determining the amount payable upon exercise of such SAR.

(o) "FAIR MARKET VALUE" means the market price of Shares, determined by the Committee as follows:

(i) If the Shares were traded on a stock exchange on the date in question, then the Fair Market Value shall be equal to the last trading price reported by the applicable composite transactions report for such date;

(ii) If the Shares were traded over-the-counter on the date in question and were classified as a national market issue, then the Fair Market Value shall be equal to the last trading price quoted by the NASDAQ system for such date;

(iii) If the Shares were traded over-the-counter on the date in question but were not classified as a national market issue, then the Fair Market Value shall be equal to the mean between the last reported representative bid and asked prices quoted by the NASDAQ system for such date; and

(iv) If none of the foregoing provisions is applicable, then the Fair Market Value shall be determined by the Committee in good faith on such basis as it deems appropriate.

Whenever possible, the determination of Fair Market Value by the Committee shall be based on the prices reported in the Wall Street Journal. Such determination shall be conclusive and binding on all persons.

(p) "GRANT" means any grant of an Award under the Plan.

(q) "INCENTIVE STOCK OPTION" or "ISO" means an incentive stock option described in Code section 422(b).

(r) "KEY EMPLOYEE" means an Employee, Director, Non-Employee Director or Consultant who has been selected by the Committee to receive an Award under the Plan.

(s) "NON-EMPLOYEE DIRECTOR" means a member of the Board who is not an Employee.

(t) "NONSTATUTORY STOCK OPTION" or "NSO" means a stock option that is not an ISO.

(u) "OPTION" means an ISO or NSO granted under the Plan entitling the Optionee to purchase Shares.

(v) "OPTIONEE" means an individual, estate or other entity that holds an Option.

(w) "PARENT" means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, if each of the corporations other than the Company owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Parent on a date after the adoption of the Plan shall be considered a Parent commencing as of such date.

(x) "PARTICIPANT" means an individual or estate or other entity that holds an Award.

(y) "PLAN" means this Novatel Wireless, Inc. 2000 Stock Incentive Plan as it may be amended from time to time.

(z) "RESTRICTED STOCK" means a Share awarded under the Plan.

(aa) "RESTRICTED STOCK AGREEMENT" means the agreement described in Section 8 evidencing each Award of Restricted Stock.

(bb) "SAR AGREEMENT" means the agreement described in Section 9 evidencing each Award of a Stock Appreciation Right.

(cc) "SECURITIES ACT" means the Securities Act of 1933, as amended.

(dd) "SERVICE" means service as an Employee, Director, Non-Employee Director or Consultant.

(ee) "SHARE" means one share of Common Stock.

(ff) "STOCK APPRECIATION RIGHT" OR "SAR" means a stock appreciation right awarded under the Plan.

(gg) "STOCK OPTION AGREEMENT" means the agreement described in Section 6 evidencing each Grant of an Option.

(hh) "STOCK UNIT" means a bookkeeping entry representing the equivalent of a Share, as awarded under the Plan.

(ii) "STOCK UNIT AGREEMENT" means the agreement described in Section 8 evidencing each Award of Stock Units.

(jj) "SUBSIDIARY" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Subsidiary on a date after the adoption of the Plan shall be considered a Subsidiary commencing as of such date.

(kk) "10-PERCENT SHAREHOLDER" means an individual who owns more than ten percent (10%) of the total combined voting power of all classes of outstanding stock of the Company, its Parent or any of its subsidiaries. In determining stock ownership, the attribution rules of section 424(d) of the Code shall be applied.

SECTION 3. ADMINISTRATION.

(a) COMMITTEE COMPOSITION. A Committee appointed by the Board shall administer the Plan. The Board shall designate one of the members of the Committee as chairperson. If no Committee has been approved, the entire Board shall constitute the Committee. Members of the Committee shall serve for such period of time as the Board may determine and shall be subject to removal by the Board at any time. The Board may also at any time terminate the functions of the Committee and reassume all powers and authority previously delegated to the Committee.

With respect to officers or directors subject to Section 16 of the Exchange Act, the Committee shall consist of those individuals who shall satisfy the requirements of Rule 16b-3 (or its successor) under the Exchange Act with respect to Awards granted to persons who are officers or directors of the Company under Section 16 of the Exchange Act. Notwithstanding the previous sentence, failure of the Committee to satisfy the requirements of Rule 16b-3 shall not invalidate any Awards granted by such Committee.

The Board may also appoint one or more separate committees of the Board, each composed of one or more directors of the Company who need not qualify under Rule 16b-3, who may administer the Plan with respect to Key Employees who are not considered officers or directors of the Company under Section 16 of the Exchange Act, may grant Awards under the Plan to such Key Employees and may determine all terms of such Awards.

Notwithstanding the foregoing, the Board shall constitute the Committee and shall administer the Plan with respect to all Awards granted to Non-Employee Directors.

(b) AUTHORITY OF THE COMMITTEE. Subject to the provisions of the Plan, the Committee shall have full authority and discretion to take any actions it deems necessary or advisable for the administration of the Plan. Such actions shall include:

(i) selecting Key Employees who are to receive Awards under the Plan;

(ii) determining the type, number, vesting requirements and other features and conditions of such Awards;

(iii) interpreting the Plan; and

(iv) making all other decisions relating to the operation of the Plan.

The Committee may adopt such rules or guidelines, as it deems appropriate to implement the Plan. The Committee's determinations under the Plan shall be final and binding on all persons.

(c) INDEMNIFICATION. Each member of the Committee, or of the Board, shall be indemnified and held harmless by the Company against and from (i) any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan or any Stock Option Agreement, SAR Agreement, Stock Unit Agreement or Restricted Stock Agreement, and (ii) from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such claim, action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Certificate of Incorporation or Bylaws, by contract, as a matter of law, or otherwise, or under any power that the Company may have to indemnify them or hold them harmless.

SECTION 4. ELIGIBILITY.

(a) GENERAL RULES. Only Employees, Directors, Non-Employee Directors and Consultants shall be eligible for designation as Key Employees by the Committee.

(b) INCENTIVE STOCK OPTIONS. Only Key Employees who are common-law employees of the Company, a Parent or a Subsidiary shall be eligible for the grant of ISOs. In addition, a Key Employee who is a 10-Percent Shareholder shall not be eligible for the grant of an ISO unless the requirements set forth in section 422(c)(5) of the Code are satisfied.

(c) NON-EMPLOYEE DIRECTOR OPTIONS. Non-Employee Directors shall also be eligible to receive Options as described in this Section 4(c) from and after the date the Board has determined to implement this provision.

(i) Each eligible Non-Employee Director elected or appointed after the effective date of the Company's initial public offering shall automatically be granted an NSO to purchase 20,000 Shares (subject to adjustment under Section 9) as a result of his or her initial election or appointment as a Non-Employee Director. Upon the conclusion of each regular annual meeting of the Company's stockholders following his or her initial appointment, each eligible Non-Employee Director who will continue serving as a member of the Board and who received an initial grant thereafter shall receive an NSO to purchase 5,000 Shares (subject to adjustment under Section 9). All NSOs granted pursuant to this Section 4 shall vest and become exercisable provided the individual is serving as a director of the Company as of the vesting date as follows: 25% one year from the date of grant, then in 36 equal monthly installments commencing on the date one month and one year after the date of grant.

(ii) All NSOs granted to Non-Employee Directors under this Section 4(c) shall become exercisable in full in the event of Change in Control with respect to the Company.

(iii) The Exercise Price under all NSOs granted to a Non-Employee Director under this Section 4(c) shall be equal to one hundred percent (100%) of the Fair Market Value of a Share of Common Stock on the date of grant, payable in one of the forms described in Section 7.

(iv) All NSOs granted to a Non-Employee Director under this Section 4(c) shall terminate on the earlier of:

(1) The 10th anniversary of the date of grant; or

(2) The date ninety (90) days after the termination of such Non-Employee Director's service for any reason.

SECTION 5. SHARES SUBJECT TO PLAN.

(a) BASIC LIMITATION. The stock issuable under the Plan shall be authorized but unissued Shares or treasury Shares. The aggregate number of Shares reserved for Awards under the Plan shall not exceed 16,500,000.

(b) ANNUAL ADDITION. Beginning with the first fiscal year of the Company beginning after the Effective Date, on the first day of each fiscal year, Shares will be added to the Plan equal to the lesser of (i) 1,500,000 Shares, (ii) three percent (3%) of the outstanding shares in the last day of the prior fiscal year, or (iii) such lesser number of Shares as may be determined by the Board in its sole discretion.

(c) ADDITIONAL SHARES. If Awards are forfeited or terminate for any other reason before being exercised, then the Shares underlying such Awards shall again become available for Awards under the Plan. If SARs are exercised, then only the number of Shares (if any) actually issued in settlement of such SARs shall reduce the number

available under Section 5(a) and the balance shall again become available for Awards under the Plan.

(d) DIVIDEND EQUIVALENTS. Any dividend equivalents distributed under the Plan shall not be applied against the number of Shares available for Awards whether or not such dividend equivalents are converted into Stock Units.

(e) LIMITS ON OPTIONS AND SARS. No Key Employee shall receive Options to purchase Shares and/or SARs during any fiscal year covering in excess of 1,000,000 Shares, or 2,000,000 Shares in the first fiscal year of a Key Employee's employment with Company.

(f) LIMITS ON RESTRICTED STOCK AND STOCK UNITS. No Key Employee shall receive Award(s) of Restricted Stock and/or Stock Units during any fiscal year covering in excess of 500,000 Shares, or 1,000,000 Shares in the first fiscal year of a Key Employee's employment with Company.

SECTION 6. TERMS AND CONDITIONS OF OPTIONS.

(a) STOCK OPTION AGREEMENT. Each Grant under the Plan shall be evidenced by a Stock Option Agreement between the Optionee and the Company. Such Option shall be subject to all applicable terms and conditions of the Plan and may be subject to any other terms and conditions that are not inconsistent with the Plan and that the Committee deems appropriate for inclusion in a Stock Option Agreement. The provisions of the various Stock Option Agreements entered into under the Plan need not be identical. A Stock Option Agreement may provide that new Options will be granted automatically to the Optionee when he or she exercises the prior Options. The Stock Option Agreement shall also specify whether the Option is an ISO or an NSO.

(b) NUMBER OF SHARES. Each Stock Option Agreement shall specify the number of Shares that are subject to the Option and shall provide for the adjustment of such number in accordance with Section 9.

(c) EXERCISE PRICE. An Option's Exercise Price shall be established by the Committee and set forth in a Stock Option Agreement. To the extent required by applicable law the Exercise Price of an ISO shall not be less than 100% of the Fair Market Value (110% for 10-Percent Shareholders) of a Share on the date of Grant. In the case of an NSO, a Stock Option Agreement may specify an Exercise Price that varies in accordance with a predetermined formula while the NSO is outstanding.

(d) EXERCISABILITY AND TERM. Each Stock Option Agreement shall specify the date when all or any installment of the Option is to become exercisable. The Stock Option Agreement shall also specify the term of the Option; provided that the term of an ISO shall in no event exceed ten (10) years from the date of Grant. An ISO that is granted to a 10-Percent Shareholder shall have a maximum term of five (5) years. No Option can be exercised after the expiration date provided in the applicable Stock Option Agreement. A Stock Option Agreement may provide for accelerated exercisability in the event of the

Optionee's death, disability or retirement or other events and may provide for expiration prior to the end of its term in the event of the termination of the Optionee's service. A Stock Option Agreement may permit an Optionee to exercise an Option before it is vested, subject to the Company's right of repurchase over any Shares acquired under the unvested portion of the Option (an "early exercise"), which right of repurchase shall lapse at the same rate the Option would have vested had there been no early exercise. In no event shall the Company be required to issue fractional Shares upon the exercise of an Option.

(e) MODIFICATIONS OR ASSUMPTION OF OPTIONS. Within the limitations of the Plan, the Committee may modify, extend or assume outstanding options or may accept the cancellation of outstanding options (whether granted by the Company or by another issuer) in return for the grant of new Options for the same or a different number of Shares and at the same or a different Exercise Price. The foregoing notwithstanding, no modification of an Option shall, without the consent of the Optionee, alter or impair his or her rights or obligations under such Option.

(f) TRANSFERABILITY OF OPTIONS. Except as otherwise provided in the applicable Stock Option Agreement and then only to the extent permitted by applicable law, no Option shall be transferable by the Optionee other than by will or by the laws of descent and distribution. Except as otherwise provided in the applicable Stock Option Agreement, an Option may be exercised during the lifetime of the Optionee only or by the guardian or legal representative of the Optionee. No Option or interest therein may be assigned, pledged or hypothecated by the Optionee during his lifetime, whether by operation of law or otherwise, or be made subject to execution, attachment or similar process.

(g) NO RIGHTS AS STOCKHOLDER. An Optionee, or a transferee of an Optionee, shall have no rights as a stockholder with respect to any Common Stock covered by an Option until such person becomes entitled to receive such Common Stock by filing a notice of exercise and paying the Exercise Price pursuant to the terms of such Option.

(h) RESTRICTIONS ON TRANSFER. Any Shares issued upon exercise of an Option shall be subject to such rights of repurchase, rights of first refusal and other transfer restrictions as the Committee may determine. Such restrictions shall apply in addition to any restrictions that may apply to holders of Shares generally and shall also comply to the extent necessary with applicable law.

SECTION 7. PAYMENT FOR OPTION SHARES.

(a) GENERAL RULE. The entire Exercise Price of Shares issued upon exercise of Options shall be payable in cash at the time when such Shares are purchased, except as follows:

(i) In the case of an ISO granted under the Plan, payment shall be made only pursuant to the express provisions of the applicable Stock Option Agreement. The Stock Option Agreement may specify that payment may be made in any form(s) described in this Section 7.

(ii) In the case of an NSO granted under the Plan, the Committee may in its discretion, at any time accept payment in any form(s) described in this Section 7.

(b) SURRENDER OF STOCK. To the extent that this Section 7(b) is applicable, payment for all or any part of the Exercise Price may be made with Shares which have already been owned by the Optionee for such duration as shall be specified by the Committee. Such Shares shall be valued at their Fair Market Value on the date when the new Shares are purchased under the Plan.

(c) PROMISSORY NOTE. To the extent that this Section 7(c) is applicable, payment for all or any part of the Exercise Price may be made with a full-recourse promissory note.

(d) OTHER FORMS OF PAYMENT. To the extent that this Section 7(d) is applicable, payment may be made in any other form that is consistent with applicable laws, regulations and rules.

SECTION 8. TERMS AND CONDITIONS FOR AWARDS OF RESTRICTED STOCK AND STOCK UNITS.

(a) TIME, AMOUNT AND FORM OF AWARDS. Awards under this Section 8 may be granted in the form of Restricted Stock in the form of Stock Units, or in any combination of both. Restricted Stock or Stock Units may also be awarded in combination with NSOs or SARs, and such an Award may provide that the Restricted Stock or Stock Units will be forfeited in the event that the related NSOs or SARs are exercised.

(b) AGREEMENTS. Each Award of Restricted Stock or Stock Units under the Plan shall be evidenced by a Restricted Stock Agreement or Stock Unit Agreement between the Participant and the Company. Such Awards shall be subject to all applicable terms and conditions of the Plan and may be subject to any other terms and conditions that are not inconsistent with the Plan and that the Committee deems appropriate for inclusion in the applicable Agreement. The provisions of the various Agreements entered into under the Plan need not be identical.

(c) PAYMENT FOR RESTRICTED STOCK OR STOCK UNIT AWARDS. Restricted Stock or Stock Units may be issued with or without cash consideration under the Plan.

(d) FORM AND TIME OF SETTLEMENT OF STOCK UNITS. Settlement of vested Stock Units may be made in the form of (i) cash, (ii) Shares or (iii) any combination of both. The actual number of Stock Units eligible for settlement may be larger or smaller than the number included in the original Award, based on predetermined performance factors. Methods of converting Stock Units into cash may include (without limitation) a method based on the average Fair Market Value of Shares over a series of trading days. Vested Stock Units may be settled in a lump sum or in installments. The distribution may occur or commence when all vesting conditions applicable to the Stock Units have been satisfied or have lapsed, or it may be deferred to any later date. The amount of a deferred distribution may be increased by an interest factor or by dividend equivalents. Until an

Award of Stock Units is settled, the number of such Stock Units shall be subject to adjustment pursuant to Section 10.

(e) VESTING CONDITIONS. Each Award of Restricted Stock or Stock Units shall become vested, in full or in installments, upon satisfaction of the conditions specified in the applicable Agreement. An Agreement may provide for accelerated vesting in the event of the Participant's death, Disability or retirement or other events.

(f) ASSIGNMENT OR TRANSFER OF RESTRICTED STOCK OR STOCK UNITS. Except as provided in Section 13, or in a Restricted Stock Agreement or Stock Unit Agreement, or as required by applicable law, a Restricted Stock or Stock Unit Award granted under the Plan shall not be anticipated, assigned, attached, garnished, optioned, transferred or made subject to any creditor's process, whether voluntarily, involuntarily or by operation of law. Any act in violation of this Section 8(f) shall be void. However, this Section 8(f) shall not preclude a Participant from designating a beneficiary who will receive any outstanding Restricted Stock or Stock Unit Awards in the event of the Participant's death, nor shall it preclude a transfer of Restricted Stock or Stock Unit Awards by will or by the laws of descent and distribution.

(g) DEATH OF STOCK UNITS RECIPIENT. Any Stock Unit Award that becomes payable after the Award recipient's death shall be distributed to the recipient's beneficiary or beneficiaries. Each recipient of a Stock Unit Award under the Plan shall designate one or more beneficiaries for this purpose by filing the prescribed form with the Company. A beneficiary designation may be changed by filing the prescribed form with the Company at any time before the recipient's death. If no beneficiary was designated or if no designated beneficiary survives the recipient, then any Stock Unit Award that becomes payable after the recipient's death shall be distributed to the recipient's estate.

(h) TRUSTS. Neither this Section 8 nor any other provision of the Plan shall preclude a Participant from transferring or assigning Restricted Stock to (a) the trustee of a trust that is revocable by such Participant alone, both at the time of the transfer or assignment and at all times thereafter prior to such Participant's death, or (b) the trustee of any other trust to the extent approved in advance by the Committee in writing. A transfer or assignment of Restricted Stock from such trustee to any person other than such Participant shall be permitted only to the extent approved in advance by the Committee in writing, and Restricted Stock held by such trustee shall be subject to all of the conditions and restrictions set forth in the Plan and in the applicable Restricted Stock Agreement, as if such trustee were a party to such Agreement.

(i) VOTING AND DIVIDEND RIGHTS. The holders of Restricted Stock awarded under the Plan shall have the same voting, dividend and other rights as the Company's other stockholders. A Restricted Stock Agreement, however, may require that the holders of Restricted Stock invest any cash dividends received in additional Restricted Stock. Such additional Restricted Stock shall be subject to the same conditions and restrictions as the Award with respect to which the dividends were paid. Such additional Restricted Stock shall not reduce the number of Shares available under Section 5.

(j) STOCK UNIT VOTING AND DIVIDEND RIGHTS. The holders of Stock Units shall have no voting rights. Prior to settlement or forfeiture, any Stock Unit awarded under the Plan may, at the Committee's discretion, carry with it a right to dividend equivalents. Such right entitles the holder to be credited with an amount equal to all cash dividends paid on one Share while the Stock Unit is outstanding. Dividend equivalents may be converted into additional Stock Units. Settlement of dividend equivalents may be made in the form of cash, in the form of Shares, or in a combination of both. Prior to distribution, any dividend equivalents which are not paid shall be subject to the same conditions and restrictions as the Stock Units to which they attach.

(k) CREDITORS' RIGHTS. A holder of Stock Units shall have no rights other than those of a general creditor of the Company. Stock Units represent an unfunded and unsecured obligation of the Company, subject to the terms and conditions of the applicable Stock Unit Agreement.

SECTION 9. TERMS AND CONDITIONS OF STOCK APPRECIATION RIGHTS.

(a) SAR AGREEMENT. Each Award of a SAR under the Plan shall be evidenced by a SAR Agreement between the Optionee and the Company. Such SAR shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan. The provisions of the various SAR Agreements entered into under the Plan need not be identical. SARs may be granted in consideration of a reduction in the Optionee's other compensation.

(b) NUMBER OF SHARES. Each SAR Agreement shall specify the number of Shares to which the SAR pertains and shall provide for the adjustment of such number in accordance with Section 10.

(c) EXERCISE PRICE. Each SAR Agreement shall specify the Exercise Price. A SAR Agreement may specify an Exercise Price that varies in accordance with a predetermined formula while the SAR is outstanding.

(d) EXERCISABILITY AND TERM. Each SAR Agreement shall specify the date when all or any installment of the SAR is to become exercisable. The SAR Agreement shall also specify the term of the SAR. A SAR Agreement may provide for accelerated exercisability in the event of the Optionee's death, Disability or retirement or other events and may provide for expiration prior to the end of its term in the event of the termination of the Optionee's Service. SARs may also be awarded in combination with Options, Restricted Stock or Stock Units, and such an Award may provide that the SARs will not be exercisable unless the related Options, Restricted Stock or Stock Units are forfeited. A SAR may be included in an ISO only at the time of Grant but may be included in an NSO at the time of Grant or at any subsequent time, but not later than six months before the expiration of such NSO. A SAR granted under the Plan may provide that it will be exercisable only in the event of a Change in Control.

(e) EXERCISE OF SARS. If, on the date when a SAR expires, the Exercise Price under such SAR is less than the Fair Market Value on such date but any portion of such SAR

has not been exercised or surrendered, then such SAR shall automatically be deemed to be exercised as of such date with respect to such portion. Upon exercise of a SAR, the Optionee (or any person having the right to exercise the SAR after his or her death) shall receive from the Company (i) Shares, (ii) cash or (iii) a combination of Shares and cash, as the Committee shall determine. The amount of cash and/or the Fair Market Value of Shares received upon exercise of SARs shall, in the aggregate, be equal to the amount by which the Fair Market Value (on the date of surrender) of the Shares subject to the SARs exceeds the Exercise Price.

(f) MODIFICATION OR ASSUMPTION OF SARS. Within the limitations of the Plan, the Committee may modify, extend or assume outstanding SARs or may accept the cancellation of outstanding SARs (whether granted by the Company or by another issuer) in return for the grant of new SARs for the same or a different number of Shares and at the same or a different Exercise Price. The foregoing notwithstanding, no modification of a SAR shall, without the consent of the Optionee, alter or impair his or her rights or obligations under such SAR.

SECTION 10. PROTECTION AGAINST DILUTION.

(a) ADJUSTMENTS. In the event of a subdivision of the outstanding Shares, a declaration of a dividend payable in Shares, a declaration of a dividend payable in a form other than Shares in an amount that has a material effect on the price of Shares, a combination or consolidation of the outstanding Shares (by reclassification or otherwise) into a lesser number of Shares, a recapitalization, reorganization, merger, liquidation, spin-off or a similar occurrence, the Committee shall make such adjustments as it, in its reasonable discretion, deems appropriate in order to prevent the dilution or enlargement of rights hereunder in one or more of:

(i) the number of Shares available for future Awards and the per person Share limits under Section 5;

(ii) the number of Shares covered by each outstanding Award; or

(iii) the Exercise Price under each outstanding SAR or Option.

(b) PARTICIPANT RIGHTS. Except as provided in this Section 10, a Participant shall have no rights by reason of any issue by the Company of stock of any class or securities convertible into stock of any class, any subdivision or consolidation of shares of stock of any class, the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class.

SECTION 11. EFFECT OF A CHANGE IN CONTROL.

(a) MERGER OR REORGANIZATION. In the event that the Company is a party to a merger or other reorganization, outstanding Awards shall be subject to the agreement of merger or reorganization. Such agreement may provide, without limitation, for the assumption

of outstanding Awards by the surviving corporation or its parent, for their continuation by the Company (if the Company is a surviving corporation), for accelerated vesting or for their cancellation with or without consideration.

(b) ACCELERATION. The Committee may determine, at the time of granting an Award or thereafter, that such Award shall become fully vested as to all Shares subject to such Award in the event that a Change in Control occurs with respect to the Company.

SECTION 12. LIMITATIONS ON RIGHTS.

(a) RETENTION RIGHTS. Neither the Plan nor any Award granted under the Plan shall be deemed to give any individual a right to remain an employee, consultant or director of the Company, a Parent, a Subsidiary or an Affiliate. The Company and its Parents and Subsidiaries and Affiliates reserve the right to terminate the Service of any person at any time, and for any reason, subject to applicable laws, the Company's Certificate of Incorporation and Bylaws and a written employment agreement (if any).

(b) STOCKHOLDERS' RIGHTS. A Participant shall have no dividend rights, voting rights or other rights as a stockholder with respect to any Shares covered by his or her Award prior to the issuance of a stock certificate for such Shares. No adjustment shall be made for cash dividends or other rights for which the record date is prior to the date when such certificate is issued, except as expressly provided in Section 10.

(c) REGULATORY REQUIREMENTS. Any other provision of the Plan notwithstanding, the obligation of the Company to issue Shares under the Plan shall be subject to all applicable laws, rules and regulations and such approval by any regulatory body as may be required. The Company reserves the right to restrict, in whole or in part, the delivery of Shares pursuant to any Award prior to the satisfaction of all legal requirements relating to the issuance of such Shares, to their registration, qualification or listing or to an exemption from registration, qualification or listing.

SECTION 13. WITHHOLDING TAXES.

(a) GENERAL. A Participant shall make arrangements satisfactory to the Company for the satisfaction of any withholding tax obligations that arise in connection with his or her Award. The Company shall not be required to issue any Shares or make any cash payment under the Plan until such obligations are satisfied.

(b) SHARE WITHHOLDING. If a public market for the Company's Shares exists, the Committee may permit a Participant to satisfy all or part of his or her withholding or income tax obligations by having the Company withhold all or a portion of any Shares that otherwise would be issued to him or her or by surrendering all or a portion of any Shares that he or she previously acquired. Such Shares shall be valued at their Fair Market Value on the date when taxes otherwise would be withheld in cash. Any payment of taxes by assigning Shares to the Company may be subject to restrictions, including, but

not limited to, any restrictions required by rules of the Securities and Exchange Commission.

SECTION 14. DURATION AND AMENDMENTS.

(a) TERM OF THE PLAN. The Plan, as set forth herein, shall become effective on the date of its adoption by the Board, subject to the approval of the Company's stockholders. No Options or SARs shall be exercisable until such stockholder approval is obtained. In the event that the stockholders fail to approve the Plan within twelve (12) months after its adoption by the Board, any Awards made shall be null and void and no additional Awards shall be made. To the extent required by applicable law, the Plan shall terminate on the date that is ten (10) years after its adoption by the Board and may be terminated on any earlier date pursuant to Section 14(b).

(b) RIGHT TO AMEND OR TERMINATE THE PLAN. The Board may amend or terminate the Plan at any time and for any reason. The termination of the Plan, or any amendment thereof, shall not affect any Award previously granted under the Plan. No Awards shall be granted under the Plan after the Plan's termination. An amendment of the Plan shall be subject to the approval of the Company's stockholders only to the extent required by applicable laws, regulations or rules.

SECTION 15. EXECUTION.

To record the adoption of the Plan by the Board, the Company has caused its duly authorized officer to execute this Plan on behalf of the Company.

NOVATEL WIRELESS, INC.

By

Title

EXHIBIT 10.3

NOVATEL WIRELESS, INC.

2000 EMPLOYEE STOCK PURCHASE PLAN

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NOVATEL WIRELESS, INC.
2000 EMPLOYEE STOCK PURCHASE PLAN
(AS ADOPTED ON _____, 2000)

SECTION 1
PURPOSE

Novatel Wireless, Inc. hereby establishes the Novatel Wireless, Inc. 2000 Employee Stock Purchase Plan, effective as of the Initial Public Offering Date, in order to provide eligible employees of the Company and its participating Subsidiaries with the opportunity to purchase Common Stock through payroll deductions. The Plan is intended to qualify as an employee stock purchase plan under Section 423(b) of the Code.

SECTION 2
DEFINITIONS

2.1 "1934 Act" means the Securities Exchange Act of 1934, as amended. Reference to a specific Section of the 1934 Act or regulation thereunder shall include such Section or regulation, any valid regulation promulgated under such Section, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such Section or regulation.

2.2 "Board" means the Board of Directors of the Company.

2.3 "Code" means the Internal Revenue Code of 1986, as amended. Reference to a specific Section of the Code or regulation thereunder shall include such Section or regulation, any valid regulation promulgated under such Section, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such Section or regulation.

2.4 "Committee" shall mean the committee appointed by the Board to administer the Plan. Any member of the Committee may resign at any time by notice in writing mailed or delivered to the Secretary of the Company. As of the effective date of the Plan, the Plan shall be administered by the Compensation Committee of the Board.

2.5 "Common Stock" means the common stock of the Company.

2.6 "Company" means Novatel Wireless, Inc., a Delaware corporation.

2.7 "Compensation" means a Participant's regular wages. The Committee, in its discretion, may (on a uniform and nondiscriminatory basis) establish a different definition of Compensation prior to an Enrollment Date for all options to be granted on such Enrollment Date.

2.8 "Eligible Employee" means every Employee of an Employer, except (a) any Employee who immediately after the grant of an option under the Plan, would own stock and/or hold outstanding options to purchase stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or of any Subsidiary

of the Company (including stock attributed to such Employee pursuant to Section 424(d) of the Code), or (b) as provided in the following sentence. The Committee, in its discretion, from time to time may, prior to an Enrollment Date for all options to be granted on such Enrollment Date, determine (on a uniform and nondiscriminatory basis) that an Employee shall not be an Eligible Employee if he or she: (1) has not completed at least two years of service since his or her last hire date (or such lesser period of time as may be determined by the Committee in its discretion), (2) customarily works not more than 20 hours per week (or such lesser period of time as may be determined by the Committee in its discretion), (3) customarily works not more than 5 months per calendar year (or such lesser period of time as may be determined by the Committee in its discretion), or (4) is an officer or other manager.

2.9 "Employee" means an individual who is a common-law employee of any Employer, whether such employee is so employed at the time the Plan is adopted or becomes so employed subsequent to the adoption of the Plan.

2.10 "Employer" or "Employers" means any one or all of the Company, and those Subsidiaries which, with the consent of the Board, have adopted the Plan.

2.11 "Enrollment Date" means such dates as may be determined by the Committee (in its discretion and on a uniform and nondiscriminatory basis) from time to time.

2.12 "Grant Date" means any date on which a Participant is granted an option under the Plan.

2.13 "Participant" means an Eligible Employee who (a) has become a Participant in the Plan pursuant to Section 4.1 and (b) has not ceased to be a Participant pursuant to Section 8 or Section 9.

2.14 "Plan" means the Novatel Wireless, Inc. 2000 Employee Stock Purchase Plan, as set forth in this instrument and as hereafter amended from time to time.

2.15 "Purchase Date" means such dates as may be determined by the Committee (in its discretion and on a uniform and nondiscriminatory basis) from time to time prior to an Enrollment Date for all options to be granted on such Enrollment Date.

2.16 "Subsidiary" means any corporation in an unbroken chain of corporations beginning with the Company if each of the corporations other than the last corporation in the unbroken chain then owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

SECTION 3
SHARES SUBJECT TO THE PLAN

3.1 Number Available. A maximum of 1,500,000 shares of Common Stock shall be available for issuance pursuant to the Plan. Beginning with the first fiscal year of the Company beginning after the effective date of the Plan, on the first day of each fiscal year of the Company, Shares will be added to the Plan equal to the lesser of (a) 0.5% of the outstanding Shares on the last day of the prior fiscal year, (b) 270,000 Shares, or such lesser number of

Shares as may be determined by the Board in its sole discretion. Shares sold under the Plan may be newly issued shares or treasury shares.

3.2 Adjustments. In the event of any reorganization, recapitalization, stock split, reverse stock split, stock dividend, combination of shares, merger, consolidation, offering of rights or other similar change in the capital structure of the Company, the Board may make such adjustment, if any, as it deems appropriate in the number, kind and purchase price of the shares available for purchase under the Plan and in the maximum number of shares subject to any option under the Plan.

SECTION 4
ENROLLMENT

4.1 Participation. Each Eligible Employee may elect to become a Participant by enrolling or re-enrolling in the Plan effective as of any Enrollment Date. In order to enroll, an Eligible Employee must complete, sign and submit to the Company an enrollment form in such form, manner and by such deadline as may be specified by the Committee from time to time (in its discretion and on a nondiscriminatory basis). Any Participant whose option expires and who has not withdrawn from the Plan automatically will be re-enrolled in the Plan on the Enrollment Date immediately following the Purchase Date on which his or her option expires. Any Participant whose option has not expired and who has not withdrawn from the Plan automatically will be deemed to be un-enrolled from the Participant's current option and be enrolled as of a subsequent Enrollment Date if the price per Share on such subsequent Enrollment Date is lower than the price per Share on the Enrollment Date relating to the Participant's current option.

4.2 Payroll Withholding. On his or her enrollment form, each Participant must elect to make Plan contributions via payroll withholding from his or her Compensation. Pursuant to such procedures as the Committee may specify from time to time, a Participant may elect to have withholding equal to a whole percentage from 1% to 10% (or such lesser percentage that the Committee may establish from time to time for all options to be granted on any Enrollment Date). A Participant may elect to increase or decrease his or her rate of payroll withholding by submitting a new enrollment form in accordance with such procedures as may be established by the Committee from time to time. A Participant may stop his or her payroll withholding by submitting a new enrollment form in accordance with such procedures as may be established by the Committee from time to time. In order to be effective as of a specific date, an enrollment form must be received by the Company no later than the deadline specified by the Committee, in its discretion and on a nondiscriminatory basis, from time to time. Any Participant who is automatically re-enrolled in the Plan will be deemed to have elected to continue his or her contributions at the percentage last elected by the Participant.

SECTION 5
OPTIONS TO PURCHASE COMMON STOCK

5.1 Grant of Option. On each Enrollment Date on which the Participant enrolls or re-enrolls in the Plan, he or she shall be granted an option to purchase shares of Common Stock.

5.2 Duration of Option. Each option granted under the Plan shall expire on the earliest to occur of (a) the completion of the purchase of shares on the last Purchase Date occurring within 27 months of the Grant Date of such option, (b) such shorter option period as may be established by the Committee from time to time prior to an Enrollment Date for all options to be granted on such Enrollment Date, or (c) the date on which the Participant ceases to be such for any reason. Until otherwise determined by the Committee for all options to be granted on an Enrollment Date, the period referred to in clause (b) in the preceding sentence shall mean the period from the applicable Enrollment Date through the last business day prior to the immediately following Enrollment Date.

5.3 Number of Shares Subject to Option. The number of shares available for purchase by each Participant under the option will be established by the Committee from time to time prior to an Enrollment Date for all options to be granted on such Enrollment Date.

5.4 Other Terms and Conditions. Each option shall be subject to the following additional terms and conditions:

(a) payment for shares purchased under the option shall be made only through payroll withholding under Section 4.2;

(b) purchase of shares upon exercise of the option will be accomplished only in accordance with Section 6.1;

(c) the price per share under the option will be determined as provided in Section 6.1; and

(d) the option in all respects shall be subject to such other terms and conditions (applied on a uniform and nondiscriminatory basis), as the Committee shall determine from time to time in its discretion.

SECTION 6
PURCHASE OF SHARES

6.1 Exercise of Option. Subject to Section 6.2, on each Purchase Date, the funds then credited to each Participant's account shall be used to purchase whole shares of Common Stock. Any cash remaining after whole shares of Common Stock have been purchased shall be carried forward in the Participant's account for the purchase of shares on the next Purchase Date. The price per Share of the Shares purchased under any option granted under the Plan shall be eighty-five percent (85%) of the lower of:

(a) the closing price per Share on the Grant Date for such option on the NASDAQ National Market System; or

(b) the closing price per Share on the Purchase Date on the NASDAQ National Market System;

provided, however, that with respect to any Grant Date under the Plan that coincides with the date of the final prospectus for the initial public offering of the Common Stock, the price in

clause (a) above shall be the price per Share at which shares of Common Stock are initially offered for sale to the public by the Company's underwriters in such offering.

6.2 Delivery of Shares. As directed by the Committee in its sole discretion, shares purchased on any Purchase Date shall be delivered directly to the Participant or to a custodian or broker (if any) designated by the Committee to hold shares for the benefit of the Participants. As determined by the Committee from time to time, such shares shall be delivered as physical certificates or by means of a book entry system.

6.3 Exhaustion of Shares. If at any time the shares available under the Plan are over-enrolled, enrollments shall be reduced proportionately to eliminate the over-enrollment. Such reduction method shall be "bottom up," with the result that all option exercises for one share shall be satisfied first, followed by all exercises for two shares, and so on, until all available shares have been exhausted. Any funds that, due to over-enrollment, cannot be applied to the purchase of whole shares shall be refunded to the Participants (without interest thereon).

SECTION 7
WITHDRAWAL

7.1 Withdrawal. A Participant may withdraw from the Plan by submitting a completed enrollment form to the Company. A withdrawal will be effective only if it is received by the Company by the deadline specified by the Committee (in its discretion and on a uniform and nondiscriminatory basis) from time to time. When a withdrawal becomes effective, the Participant's payroll contributions shall cease and all amounts then credited to the Participant's account shall be distributed to him or her (without interest thereon).

SECTION 8
CESSATION OF PARTICIPATION

8.1 Termination of Status as Eligible Employee. A Participant shall cease to be a Participant immediately upon the cessation of his or her status as an Eligible Employee (for example, because of his or her termination of employment from all Employers for any reason). As soon as practicable after such cessation, the Participant's payroll contributions shall cease and all amounts then credited to the Participant's account shall be distributed to him or her (without interest thereon). If a Participant is on a Company-approved leave of absence, his or her participation in the Plan shall continue for so long as he or she remains an Eligible Employee and has not withdrawn from the Plan pursuant to Section 7.1.

SECTION 9
DESIGNATION OF BENEFICIARY

9.1 Designation. Each Participant may, pursuant to such uniform and nondiscriminatory procedures as the Committee may specify from time to time, designate one or more Beneficiaries to receive any amounts credited to the Participant's account at the time of his or her death. Notwithstanding any contrary provision of this Section 9, Sections 9.1 and 9.2 shall be operative only after (and for so long as) the Committee determines (on a uniform and nondiscriminatory basis) to permit the designation of Beneficiaries.

9.2 Changes. A Participant may designate different Beneficiaries (or may revoke a prior Beneficiary designation) at any time by delivering a new designation (or revocation of a prior designation) in like manner. Any designation or revocation shall be effective only if it is received by the Committee. However, when so received, the designation or revocation shall be effective as of the date the designation or revocation is executed (whether or not the Participant still is living), but without prejudice to the Committee on account of any payment made before the change is recorded. The last effective designation received by the Committee shall supersede all prior designations.

9.3 Failed Designations. If a Participant dies without having effectively designated a Beneficiary, or if no Beneficiary survives the Participant, the Participant's Account shall be payable to his or her estate.

SECTION 10
ADMINISTRATION

10.1 Plan Administrator. The Plan shall be administered by the Committee. The Committee shall have the authority to control and manage the operation and administration of the Plan.

10.2 Actions by Committee. Each decision of a majority of the members of the Committee then in office shall constitute the final and binding act of the Committee. The Committee may act with or without a meeting being called or held and shall keep minutes of all meetings held and a record of all actions taken by written consent.

10.3 Powers of Committee. The Committee shall have all powers and discretion necessary or appropriate to supervise the administration of the Plan and to control its operation in accordance with its terms, including, but not by way of limitation, the following discretionary powers:

(a) To interpret and determine the meaning and validity of the provisions of the Plan and the options and to determine any question arising under, or in connection with, the administration, operation or validity of the Plan or the options;

(b) To determine any and all considerations affecting the eligibility of any employee to become a Participant or to remain a Participant in the Plan;

(c) To cause an account or accounts to be maintained for each Participant;

(d) To determine the time or times when, and the number of shares for which, options shall be granted;

(e) To establish and revise an accounting method or formula for the Plan;

(f) To designate a custodian or broker to receive shares purchased under the Plan and to determine the manner and form in which shares are to be delivered to the designated custodian or broker;

(g) To determine the status and rights of Participants and their Beneficiaries or estates;

(h) To employ such brokers, counsel, agents and advisers, and to obtain such broker, legal, clerical and other services, as it may deem necessary or appropriate in carrying out the provisions of the Plan;

(i) To establish, from time to time, rules for the performance of its powers and duties and for the administration of the Plan;

(j) To adopt such procedures and subplans as are necessary or appropriate to permit participation in the Plan by employees who are foreign nationals or employed outside of the United States;

(k) To delegate to any one or more of its members or to any other person, severally or jointly, the authority to perform for and on behalf of the Committee one or more of the functions of the Committee under the Plan.

10.4 Decisions of Committee. All actions, interpretations, and decisions of the Committee shall be conclusive and binding on all persons, and shall be given the maximum possible deference allowed by law.

10.5 Administrative Expenses. All expenses incurred in the administration of the Plan by the Committee, or otherwise, including legal fees and expenses, shall be paid and borne by the Employers, except any stamp duties or transfer taxes applicable to the purchase of shares may be charged to the account of each Participant. Any brokerage fees for the purchase of shares by a Participant shall be paid by the Company, but fees and taxes (including brokerage fees) for the transfer, sale or resale of shares by a Participant, or the issuance of physical share certificates, shall be borne solely by the Participant.

10.6 Eligibility to Participate. No member of the Committee who is also an employee of an Employer shall be excluded from participating in the Plan if otherwise eligible, but he or she shall not be entitled, as a member of the Committee, to act or pass upon any matters pertaining specifically to his or her own account under the Plan.

10.7 Indemnification. Each of the Employers shall, and hereby does, indemnify and hold harmless the members of the Committee and the Board, from and against any and all losses, claims, damages or liabilities (including attorneys' fees and amounts paid, with the approval of the Board, in settlement of any claim) arising out of or resulting from the implementation of a duty, act or decision with respect to the Plan, so long as such duty, act or decision does not involve gross negligence or willful misconduct on the part of any such individual.

SECTION 11
AMENDMENT, TERMINATION, AND DURATION

11.1 Amendment, Suspension, or Termination. The Board, in its sole discretion, may amend or terminate the Plan, or any part thereof, at any time and for any reason.

If the Plan is terminated, the Board, in its discretion, may elect to terminate all outstanding options either immediately or upon completion of the purchase of shares on the next Purchase Date, or may elect to permit options to expire in accordance with their terms (and participation to continue through such expiration dates). If the options are terminated prior to expiration, all amounts then credited to Participants' accounts which have not been used to purchase shares shall be returned to the Participants (without interest thereon) as soon as administratively practicable.

11.2 Duration of the Plan. The Plan shall commence on the date specified herein, and subject to Section 11.1 (regarding the Board's right to amend or terminate the Plan), shall remain in effect for ten (10) years from the effective date.

SECTION 12
GENERAL PROVISIONS

12.1 Participation by Subsidiaries. One or more Subsidiaries of the Company may become participating Employers by adopting the Plan and obtaining approval for such adoption from the Board. By adopting the Plan, a Subsidiary shall be deemed to agree to all of its terms, including (but not limited to) the provisions granting exclusive authority (a) to the Board to amend the Plan, and (b) to the Committee to administer and interpret the Plan. An Employer may terminate its participation in the Plan at any time. The liabilities incurred under the Plan to the Participants employed by each Employer shall be solely the liabilities of that Employer, and no other Employer shall be liable for benefits accrued by a Participant during any period when he or she was not employed by such Employer.

12.2 Inalienability. In no event may either a Participant, a former Participant or his or her Beneficiary, spouse or estate sell, transfer, anticipate, assign, hypothecate, or otherwise dispose of any right or interest under the Plan; and such rights and interests shall not at any time be subject to the claims of creditors nor be liable to attachment, execution or other legal process. Accordingly, for example, a Participant's interest in the Plan is not transferable pursuant to a domestic relations order.

12.3 Severability. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

12.4 Requirements of Law. The granting of options and the issuance of shares shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or securities exchanges as the Committee may determine are necessary or appropriate.

12.5 Compliance with Rule 16b-3. Any transactions under this Plan with respect to officers (as defined in Rule 16a-1 promulgated under the 1934 Act) are intended to comply with all applicable conditions of Rule 16b-3. To the extent any provision of the Plan or action by the Committee fails to so comply, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Committee. Notwithstanding any contrary

provision of the Plan, if the Committee specifically determines that compliance with Rule 16b-3 no longer is required, all references in the Plan to Rule 16b-3 shall be null and void.

12.6 No Enlargement of Employment Rights. Neither the establishment or maintenance of the Plan, the granting of options, the purchase of shares, nor any action of any Employer or the Committee, shall be held or construed to confer upon any individual any right to be continued as an employee of the Employer nor, upon dismissal, any right or interest in any specific assets of the Employers other than as provided in the Plan. Each Employer expressly reserves the right to discharge any employee at any time, with or without cause.

12.7 Apportionment of Costs and Duties. All acts required of the Employers under the Plan may be performed by the Company for itself and its Subsidiaries, and the costs of the Plan may be equitably apportioned by the Committee among the Company and the other Employers. Whenever an Employer is permitted or required under the terms of the Plan to do or perform any act, matter or thing, it shall be done and performed by any officer or employee of the Employers who is thereunto duly authorized by the Employers.

12.8 Construction and Applicable Law. The Plan is intended to qualify as an "employee stock purchase plan" within the meaning of Section 423(b) of the Code. Any provision of the Plan which is inconsistent with Section 423(b) of the Code shall, without further act or amendment by the Company or the Committee, be reformed to comply with the requirements of Section 423(b). The provisions of the Plan shall be construed, administered and enforced in accordance with such Section and with the laws of the State of California (excluding California's conflict of laws provisions).

12.9 Captions. The captions contained in and the table of contents prefixed to the Plan are inserted only as a matter of convenience, and in no way define, limit, enlarge or describe the scope or intent of the Plan nor in any way shall affect the construction of any provision of the Plan.

EXECUTION

IN WITNESS WHEREOF, Novatel Wireless, Inc., by its duly authorized officer, has executed this Plan.

NOVATEL WIRELESS, INC.

Dated: _____, 2000

By: _____
Title:

EXHIBIT 10.6

INDEMNIFICATION AGREEMENT

This Indemnification Agreement (the "Agreement") is made as of _____ __, 2000, by and between Novatel Wireless, Inc. a Delaware corporation (the "Company"), and _____ (the "Indemnitee").

RECITALS

The Company and Indemnitee recognize the increasing difficulty in obtaining liability insurance for directors, officers and key employees, the significant increases in the cost of such insurance and the general reductions in the coverage of such insurance. The Company and Indemnitee further recognize the substantial increase in corporate litigation in general, subjecting directors, officers and key employees to expensive litigation risks at the same time as the availability and coverage of liability insurance has been severely limited. Indemnitee does not regard the current protection available as adequate under the present circumstances, and Indemnitee and agents of the Company may not be willing to continue to serve as agents of the Company without additional protection. The Company desires to attract and retain the services of highly qualified individuals, such as Indemnitee, and to indemnify its directors, officers and key employees so as to provide them with the maximum protection permitted by law.

AGREEMENT

In consideration of the mutual promises made in this Agreement, and for other good and valuable consideration, receipt of which is hereby acknowledged, the Company and Indemnitee hereby agree as follows:

1. INDEMNIFICATION.

(a) THIRD PARTY PROCEEDINGS. The Company shall indemnify Indemnitee if Indemnitee is or was a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Company) by reason of the fact that Indemnitee is or was a director, officer, employee or agent of the Company, or any subsidiary of the Company, by reason of any action or inaction on the part of Indemnitee while an officer or director or by reason of the fact that Indemnitee is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement (if such settlement is approved in advance by the Company, which approval shall not be unreasonably withheld) actually and reasonably incurred by Indemnitee in connection with such action, suit or proceeding if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe Indemnitee's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that Indemnitee did not act in good faith and in a manner which Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, or, with respect

to any criminal action or proceeding, that Indemnitee had reasonable cause to believe that Indemnitee's conduct was unlawful.

(b) PROCEEDINGS BY OR IN THE RIGHT OF THE COMPANY. The Company shall indemnify Indemnitee if Indemnitee was or is a party or is threatened to be made a party to any threatened, pending or completed action or proceeding by or in the right of the Company or any subsidiary of the Company to procure a judgment in its favor by reason of the fact that Indemnitee is or was a director, officer, employee or agent of the Company, or any subsidiary of the Company, by reason of any action or inaction on the part of Indemnitee while an officer or director or by reason of the fact that Indemnitee is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) and, to the fullest extent permitted by law, amounts paid in settlement (if such settlement is approved in advance by the Company, which approval shall not be unreasonably withheld), in each case to the extent actually and reasonably incurred by Indemnitee in connection with the defense or settlement of such action or suit if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company and its stockholders, except that no indemnification shall be made in respect of any claim, issue or matter as to which Indemnitee shall have been finally adjudicated by court order or judgment to be liable to the Company in the performance of Indemnitee's duty to the Company and its stockholders unless and only to the extent that the court in which such action or proceeding is or was pending shall determine upon application that, in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

(c) MANDATORY PAYMENT OF EXPENSES. To the extent that Indemnitee has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 1(a) or Section 1(b) or the defense of any claim, issue or matter therein, Indemnitee shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by Indemnitee in connection therewith.

2. NO EMPLOYMENT RIGHTS. Nothing contained in this Agreement is intended to create in Indemnitee any right to continued employment.

3. EXPENSES; INDEMNIFICATION PROCEDURE.

(a) ADVANCEMENT OF EXPENSES. The Company shall advance all expenses incurred by Indemnitee in connection with the investigation, defense, settlement or appeal of any civil or criminal action, suit or proceeding referred to in Section 1(a) or Section 1(b) hereof (including amounts actually paid in settlement of any such action, suit or proceeding). Indemnitee hereby undertakes to repay such amounts advanced only if, and to the extent that, it shall ultimately be determined that Indemnitee is not entitled to be indemnified by the Company as authorized hereby.

(b) NOTICE/COOPERATION BY INDEMNITEE. Indemnitee shall, as a condition precedent to his or her right to be indemnified under this Agreement, give the Company notice in writing as soon as practicable of any claim made against Indemnitee for which indemnification will or could be sought under this Agreement. Notice to the Company shall be directed to the

Chief Executive Officer of the Company and shall be given in accordance with the provisions of Section 12(d) below. In addition, Indemnitee shall give the Company such information and cooperation as it may reasonably require and as shall be within Indemnitee's power.

(c) PROCEDURE. Any indemnification and advances provided for in Section 1 and this Section 3 shall be made no later than twenty (20) days after receipt of the written request of Indemnitee. If a claim under this Agreement, under any statute, or under any provision of the Company's Certificate of Incorporation or Bylaws providing for indemnification, is not paid in full by the Company within twenty (20) days after a written request for payment thereof has first been received by the Company, Indemnitee may, but need not, at any time thereafter bring an action against the Company to recover the unpaid amount of the claim and, subject to Section 11 of this Agreement, Indemnitee shall also be entitled to be paid for the expenses (including attorneys' fees) of bringing such action. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in connection with any action, suit or proceeding in advance of its final disposition) that Indemnitee has not met the standards of conduct which make it permissible under applicable law for the Company to indemnify Indemnitee for the amount claimed, but the burden of proving such defense shall be on the Company and Indemnitee shall be entitled to receive interim payments of expenses pursuant to Section 3(a) unless and until such defense may be finally adjudicated by court order or judgment from which no further right of appeal exists. It is the parties' intention that if the Company contests Indemnitee's right to indemnification, the question of Indemnitee's right to indemnification shall be for the court to decide, and neither the failure of the Company (including its Board of Directors, any committee or subgroup of the Board of Directors, independent legal counsel, or its stockholders) to have made a determination that indemnification of Indemnitee is proper in the circumstances because Indemnitee has met the applicable standard of conduct required by applicable law, nor an actual determination by the Company (including its Board of Directors, any committee or subgroup of the Board of Directors, independent legal counsel, or its stockholders) that Indemnitee has not met such applicable standard of conduct, shall create a presumption that Indemnitee has or has not met the applicable standard of conduct.

(d) NOTICE TO INSURERS. If, at the time of the receipt of a notice of a claim pursuant to Section 3(b) hereof, the Company has director and officer liability insurance in effect, the Company shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policies.

(e) SELECTION OF COUNSEL. In the event the Company shall be obligated under Section 3(a) hereof to pay the expenses of any proceeding against Indemnitee, the Company, if appropriate, shall be entitled to assume the defense of such proceeding, with counsel approved by Indemnitee, upon the delivery to Indemnitee of written notice of its election so to do. After delivery of such notice, approval of such counsel by Indemnitee and the retention of such counsel by the Company, the Company will not be liable to Indemnitee under this Agreement for any fees of counsel subsequently incurred by Indemnitee with respect to the same proceeding, provided that (i) Indemnitee shall have the right to employ counsel in any such proceeding at Indemnitee's expense; and (ii) if (A) the employment of counsel by Indemnitee has been

previously authorized by the Company, (B) Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and Indemnitee in the conduct of any such defense or (C) the Company shall not, in fact, have employed counsel to assume the defense of such proceeding, then the fees and expenses of Indemnitee's counsel shall be at the expense of the Company.

4. ADDITIONAL INDEMNIFICATION RIGHTS; NONEXCLUSIVITY.

(a) SCOPE. Notwithstanding any other provision of this Agreement, the Company hereby agrees to indemnify the Indemnitee to the fullest extent permitted by law, notwithstanding that such indemnification is not specifically authorized by the other provisions of this Agreement, the Company's Certificate of Incorporation, the Company's Bylaws or by statute. In the event of any change, after the date of this Agreement, in any applicable law, statute, or rule which expands the right of a Delaware corporation to indemnify a member of its board of directors or an officer, such changes shall be deemed to be within the purview of Indemnitee's rights and the Company's obligations under this Agreement. In the event of any change in any applicable law, statute or rule which narrows the right of a Delaware corporation to indemnify a member of its board of directors or an officer, such changes, to the extent not otherwise required by such law, statute or rule to be applied to this Agreement shall have no effect on this Agreement or the parties' rights and obligations hereunder.

(b) NONEXCLUSIVITY. The indemnification provided by this Agreement shall not be deemed exclusive of any rights to which Indemnitee may be entitled under the Company's Certificate of Incorporation, its Bylaws, any agreement, any vote of stockholders or disinterested members of the Company's Board of Directors, the General Corporation Law of the State of Delaware, or otherwise, both as to action in Indemnitee's official capacity and as to action in another capacity while holding such office. The indemnification provided under this Agreement shall continue as to Indemnitee for any action taken or not taken while serving in an indemnified capacity even though he or she may have ceased to serve in any such capacity at the time of any action, suit or other covered proceeding.

5. PARTIAL INDEMNIFICATION. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the expenses, judgments, fines or penalties actually or reasonably incurred in the investigation, defense, appeal or settlement of any civil or criminal action, suit or proceeding, but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion of such expenses, judgments, fines or penalties to which Indemnitee is entitled.

6. MUTUAL ACKNOWLEDGMENT. Both the Company and Indemnitee acknowledge that in certain instances, Federal law or public policy may override applicable state law and prohibit the Company from indemnifying its directors and officers under this Agreement or otherwise. For example, the Company and Indemnitee acknowledge that the Securities and Exchange Commission (the "SEC") has taken the position that indemnification is not permissible for liabilities arising under certain federal securities laws, and federal legislation prohibits indemnification for certain ERISA violations. Indemnitee understands and acknowledges that the Company has undertaken or may be required in the future to undertake with the SEC to submit

the question of indemnification to a court in certain circumstances for a determination of the Company's right under public policy to indemnify Indemnitee.

7. OFFICER AND DIRECTOR LIABILITY INSURANCE. The Company shall, from time to time, make the good faith determination whether or not it is practicable for the Company to obtain and maintain a policy or policies of insurance with reputable insurance companies providing the officers and directors of the Company with coverage for losses from wrongful acts, or to ensure the Company's performance of its indemnification obligations under this Agreement. Among other considerations, the Company will weigh the costs of obtaining such insurance coverage against the protection afforded by such coverage. In all policies of director and officer liability insurance, Indemnitee shall be named as an insured in such a manner as to provide Indemnitee the same rights and benefits as are accorded to the most favorably insured of the Company's directors, if Indemnitee is a director; or of the Company's officers, if Indemnitee is not a director of the Company but is an officer; or of the Company's key employees, if Indemnitee is not an officer or director but is a key employee. Notwithstanding the foregoing, the Company shall have no obligation to obtain or maintain such insurance if the Company determines in good faith that such insurance is not reasonably available, if the premium costs for such insurance are disproportionate to the amount of coverage provided, if the coverage provided by such insurance is limited by exclusions so as to provide an insufficient benefit, or if Indemnitee is covered by similar insurance maintained by a parent or subsidiary of the Company.

8. SEVERABILITY. Nothing in this Agreement is intended to require or shall be construed as requiring the Company to do or fail to do any act in violation of applicable law. The Company's inability, pursuant to court order, to perform its obligations under this Agreement shall not constitute a breach of this Agreement. The provisions of this Agreement shall be severable as provided in this Section 8. If this Agreement or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Company shall nevertheless indemnify Indemnitee to the full extent permitted by any applicable portion of this Agreement that shall not have been invalidated, and the balance of this Agreement not so invalidated shall be enforceable in accordance with its terms.

9. EXCEPTIONS. Any other provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement:

(a) CLAIMS INITIATED BY INDEMNITEE. To indemnify or advance expenses to Indemnitee with respect to proceedings or claims initiated or brought voluntarily by Indemnitee and not by way of defense, except with respect to proceedings brought to establish or enforce a right to indemnification under this Agreement or any other statute or law or otherwise as required under Section 145 of the Delaware General Corporation Law, but such indemnification or advancement of expenses may be provided by the Company in specific cases if the Board of Directors finds it to be appropriate;

(b) LACK OF GOOD FAITH. To indemnify Indemnitee for any expenses incurred by Indemnitee with respect to any proceeding instituted by Indemnitee to enforce or interpret this Agreement, if a court of competent jurisdiction determines that each of the material assertions made by Indemnitee in such proceeding was not made in good faith or was frivolous;

(c) INSURED CLAIMS. To indemnify Indemnitee for expenses or liabilities of any type whatsoever (including, but not limited to, judgments, fines, ERISA excise taxes or penalties, and amounts paid in settlement) to the extent such expenses or liabilities have been paid directly to Indemnitee by an insurance carrier under a policy of officers' and directors' liability insurance maintained by the Company; or

(d) CLAIMS UNDER SECTION 16(b). To indemnify Indemnitee for expenses or the payment of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 16(b) of the Securities Exchange Act of 1934, as amended, or any similar successor statute.

10. CONSTRUCTION OF CERTAIN PHRASES.

(a) For purposes of this Agreement, references to the "Company" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that if Indemnitee is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, Indemnitee shall stand in the same position under the provisions of this Agreement with respect to the resulting or surviving corporation as Indemnitee would have with respect to such constituent corporation if its separate existence had continued.

(b) For purposes of this Agreement, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on Indemnitee with respect to an employee benefit plan; and references to "serving at the request of the Company" shall include any service as a director, officer, employee or agent of the Company which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants, or beneficiaries; and if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan, Indemnitee shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Agreement.

11. ATTORNEYS' FEES. In the event that any action is instituted by Indemnitee under this Agreement to enforce or interpret any of the terms hereof, Indemnitee shall be entitled to be paid all court costs and expenses, including reasonable attorneys' fees, incurred by Indemnitee with respect to such action, unless as a part of such action, the court of competent jurisdiction determines that each of the material assertions made by Indemnitee as a basis for such action were not made in good faith or were frivolous. In the event of an action instituted by or in the name of the Company under this Agreement or to enforce or interpret any of the terms of this Agreement, Indemnitee shall be entitled to be paid all court costs and expenses, including attorneys' fees, incurred by Indemnitee in defense of such action (including with respect to Indemnitee's counterclaims and cross-claims made in such action), unless as a part of such action the court determines that each of Indemnitee's material defenses to such action were made in bad faith or were frivolous.

12. MISCELLANEOUS.

(a) GOVERNING LAW. This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of Delaware, without giving effect to principles of conflict of law.

(b) ENTIRE AGREEMENT; ENFORCEMENT OF RIGHTS. This Agreement sets forth the entire agreement and understanding of the parties relating to the subject matter herein and merges all prior discussions between them. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing signed by the parties to this Agreement. The failure by either party to enforce any rights under this Agreement shall not be construed as a waiver of any rights of such party.

(c) CONSTRUCTION. This Agreement is the result of negotiations between and has been reviewed by each of the parties hereto and their respective counsel, if any; accordingly, this Agreement shall be deemed to be the product of all of the parties hereto, and no ambiguity shall be construed in favor of or against any one of the parties hereto.

(d) NOTICES. Any notice, demand or request required or permitted to be given under this Agreement shall be in writing and shall be deemed sufficient when delivered personally or sent by telegram or fax, or forty-eight (48) hours after being deposited in the U.S. mail, as certified or registered mail, with postage prepaid, and addressed to the party to be notified at such party's address as set forth below or as subsequently modified by written notice.

(e) COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

(f) SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon the Company and its successors and assigns, and inure to the benefit of Indemnitee and Indemnitee's heirs, legal representatives and assigns.

(g) SUBROGATION. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all documents required and shall do all acts that may be necessary to secure such rights and to enable the Company to effectively bring suit to enforce such rights.

[Signature Page Follows]

The parties hereto have executed this Agreement as of the day and year set forth on the first page of this Agreement.

NOVATEL WIRELESS, INC.

By: _____

Title: _____

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

AGREED TO AND ACCEPTED:

Indemnitee

_____
(Signature)

Address: _____

_____

EXHIBIT 10.7

- --

NOVATEL WIRELESS, INC.

LOAN AND SECURITY AGREEMENT

- --

This LOAN AND SECURITY AGREEMENT is entered into as of October 12, 1999, by and between VENTURE BANKING GROUP, a division of Cupertino National Bank ("Bank") and NOVATEL WIRELESS, INC. ("Borrower").

RECITALS

Borrower wishes to obtain credit from time to time from Bank, and Bank desires to extend credit to Borrower. This Agreement sets forth the terms on which Bank will advance credit to Borrower, and Borrower will repay the amounts owing to Bank.

AGREEMENT

The parties agree as follows:

1. DEFINITIONS AND CONSTRUCTION.

1.1 Definitions. As used in this Agreement, the following terms shall have the following definitions:

"Accounts" means all presently existing and hereafter arising accounts, contract rights, and all other forms of obligations owing to Borrower arising out of the sale or lease of goods (including, without limitation, the licensing of software and other technology) or the rendering of services by Borrower, whether or not earned by performance, and any and all credit insurance, guaranties, and other security therefor, as well as all merchandise returned to or reclaimed by Borrower and Borrower's Books relating to any of the foregoing.

"Adjusted Net Worth" means Net Worth plus the book value of the Minority Interest.

"Advance" or "Advances" means a cash advance or cash advances under the Revolving Facility.

"Affiliate" means, with respect to any Person, any Person that owns or controls directly or indirectly such Person, any Person that controls or is controlled by or is under common control with such Person, and each of such Person's senior executive officers, directors, and partners.

"Bank Expenses" means all: reasonable costs or expenses (including reasonable attorneys' fees and expenses) incurred in connection with the preparation, negotiation, administration, and enforcement of the Loan Documents; reasonable Collateral audit fees; and Bank's reasonable attorneys' fees and expenses incurred in amending, enforcing or defending the Loan Documents (including fees and expenses of appeal), incurred before, during and after an Insolvency Proceeding, whether or not suit is brought.

"Borrower's Books" means all of Borrower's books and records including: ledgers; records concerning Borrower's assets or liabilities, the Collateral, business operations or financial condition; and all computer programs, or tape files, and the equipment, containing such information.

"Borrowing Base" means an amount equal to (i) seventy percent (70%) of Eligible Accounts of Borrower and each Guarantor before the Equity Event and eighty percent (80%) thereafter plus (ii) forty percent (40%) of Eligible Inventory of Borrower and each Guarantor (not to exceed One Million Dollars ($1,000,000)), as determined by Bank in its good faith business judgment with reference to the most recent Borrowing Base Certificate delivered by Borrower, provided that Accounts owing to Novatel Canada and Eligible Inventory owned by any Person may not be included in the Borrowing Base after January 31, 2000.

"Business Day" means any day that is not a Saturday, Sunday, or other day on which banks in the State of California are authorized or required to close.

"Closing Date" means the date of this Agreement.

"Code" means the California Uniform Commercial Code.

"Collateral" means the property described on Exhibit A attached hereto.

"Committed Revolving Line" means a credit extension of up to Two Million Five Hundred Thousand Dollars ($2,500,000).

"Contingent Obligation" means, as applied to any Person, any direct or indirect liability, contingent or otherwise, of that Person with respect to (i) any indebtedness, lease, dividend, letter of credit or other obligation of another, including, without limitation, any such obligation directly or indirectly guaranteed, endorsed, co-made or discounted or sold with recourse by that Person, or in respect of which that Person is otherwise directly or indirectly liable; (ii) any obligations with respect to undrawn letters of credit issued for the account of that Person; and (iii) all obligations arising under any interest rate, currency or commodity swap agreement, interest rate cap agreement, interest rate collar agreement, or other agreement or arrangement designated to protect a Person against fluctuation in interest rates, currency exchange rates or commodity prices; provided, however, that the term "Contingent Obligation" shall not include endorsements for collection or deposit in the ordinary course of business. The amount of any Contingent Obligation shall be deemed to be an amount equal to the stated or determined amount of the primary obligation in respect of which such Contingent Obligation is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by such Person in good faith; provided, however, that such amount shall not in any event exceed the maximum amount of the obligations under the guarantee or other support arrangement.

"Copyrights" means any and all copyright rights, copyright applications, copyright registrations and like protections in each work or authorship and derivative work thereof, whether published or unpublished and whether or not the same also constitutes a trade secret, now or hereafter existing, created, acquired or held.

"Credit Extension" means each Advance, Letter of Credit, or any other extension of credit by Bank for the benefit of Borrower hereunder.

"Current Assets" means, as of any applicable date, all amounts that should, in accordance with GAAP, be included as current assets on the consolidated balance sheet of Borrower and its Subsidiaries as at such date.

"Current Liabilities" means, as of any applicable date, all amounts that should, in accordance with GAAP, be included as current liabilities on the consolidated balance sheet of Borrower and its Subsidiaries, as at such date, plus, to the extent not already included therein, all outstanding Credit Extensions made under this Agreement, including all Indebtedness that is payable upon demand or within one year from the date of determination thereof unless such Indebtedness is renewable or extendible at the option of Borrower or any Subsidiary to a date more than one year from the date of determination.

"Daily Balance" means the amount of the Obligations owed at the end of a given day.

"Eligible Accounts" means those Accounts that arise in the ordinary course of Borrower's or a Guarantor's business that comply in all material respects with all of Borrower's representations and warranties to Bank set forth in Section 5.4; provided, that standards of eligibility may be fixed and revised from time to time by Bank in Bank's reasonable judgment and upon notification thereof to Borrower in accordance with the provisions hereof. Unless otherwise agreed to by Bank, Eligible Accounts shall not include the following:

(a) Accounts that the account debtor has failed to pay within ninety (90) days of invoice date;

(b) Accounts with respect to an account debtor, twenty-five percent (25%) of whose Accounts the account debtor has failed to pay within ninety (90) days of invoice date;

(c) Accounts with respect to which the account debtor is an officer, employee, or agent of Borrower;

(d) Accounts with respect to which goods are placed on consignment, guaranteed sale, sale or return, sale on approval, bill and hold, or other terms by reason of which the payment by the account debtor may be conditional;

(e) Accounts with respect to which the account debtor is an Affiliate of Borrower;

(f) Accounts with respect to which the account debtor does not have its principal place of business in the United States, except for Eligible Foreign Accounts;

(g) Accounts with respect to which the account debtor is the United States or any department, agency, or instrumentality of the United States, unless there is compliance with the Assignment of Claims Act;

(h) Accounts with respect to which Borrower is liable to the account debtor for goods sold or services rendered by the account debtor to Borrower, but only to the extent of any amounts owing to the account debtor against amounts owed to Borrower;

(i) Accounts with respect to an account debtor, including Subsidiaries and Affiliates, whose total obligations to Borrower exceed twenty-five percent (25%) of all Accounts, to the extent such obligations exceed the aforementioned percentage, except that the concentration limit for Accounts owing by OpenSky, Inc. and Metricom shall be forty percent (40%);

(j) Accounts with respect to which the account debtor disputes liability or makes any claim with respect thereto as to which Bank believes, in its reasonable discretion, that there may be a basis for dispute (but only to the extent of the amount subject to such dispute or claim), or is subject to any Insolvency Proceeding, or becomes insolvent, or goes out of business; and

(k) Accounts the collection of which Bank reasonably determines to be doubtful.

"Eligible Foreign Accounts" means Accounts with respect to which the account debtor does not have its principal place of business in the United States and that (i) are supported by one or more letters of credit or insurance in an amount and of a tenor, and issued by a financial institution, insurance company or governmental entity acceptable to Bank, or (ii) that Bank approves on a case-by-case basis.

"Eligible Inventory" means raw materials and finished goods Inventory approved from time to time by Bank in its good faith business judgment, valued at Bank's reasonable determination of the lower of cost or fair market value.

"Equipment" means all present and future machinery, equipment, tenant improvements, furniture, fixtures, vehicles, tools, parts and attachments in which Borrower has any interest.

"Equity Event" means the receipt by Borrower after the Closing Date of not less than Fifteen Million Dollars ($15,000,000) from the sale or issuance of its equity securities.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the regulations thereunder.

"Event of Default" has the meaning assigned in Article 8.

"GAAP" means generally accepted accounting principles as in effect from time to time.

"Guarantor" or "Guarantors" means Novatel Wireless Technology, Ltd. and Novatel Wireless Solutions, Inc.

"Indebtedness" means (a) all indebtedness for borrowed money or the deferred purchase price of property or services, including without limitation reimbursement and other obligations with respect to surety bonds and letters of credit, (b) all obligations evidenced by notes, bonds, debentures or similar instruments, (c) all capital lease obligations and (d) all Contingent Obligations.

"Insolvency Proceeding" means any proceeding commenced by or against any person or entity under any provision of the United States Bankruptcy Code, as amended, or under any other bankruptcy or insolvency law, including assignments for the benefit of creditors, formal or informal moratoria, compositions, extension generally with its creditors, or proceedings seeking reorganization, arrangement, or other relief.

"Intellectual Property Collateral" means all of Borrower's right, title, and interest in and to the following:

(a) Copyrights, Trademarks and Patents;

(b) Any and all trade secrets, and any and all intellectual property rights in computer software and computer software products now or hereafter existing, created, acquired or held;

(c) Any and all design rights which may be available to Borrower now or hereafter existing, created, acquired or held;

(d) Any and all claims for damages by way of past, present and future infringement of any of the rights included above, with the right, but not the obligation, to sue for and collect such damages for said use or infringement of the intellectual property rights identified above;

(e) All licenses or other rights to use any of the Copyrights, Patents or Trademarks, and all license fees and royalties arising from such use to the extent permitted by such license or rights;

(f) All amendments, renewals and extensions of any of the Copyrights, Trademarks or Patents; and

(g) All proceeds and products of the foregoing, including without limitation all payments under insurance or any indemnity or warranty payable in respect of any of the foregoing.

"Inventory" means all present and future inventory in which Borrower has any interest, including merchandise, raw materials, parts, supplies, packing and shipping materials, work in process and finished products intended for sale or lease or to be furnished under a contract of service, of every kind and description now or at any time hereafter owned by or in the custody or possession, actual or constructive, of Borrower, including such inventory as is temporarily out of its custody or possession or in transit and including any returns upon any accounts or other proceeds, including insurance proceeds, resulting from the sale or disposition of any of the foregoing and any documents of title representing any of the above, and Borrower's Books relating to any of the foregoing.

"Investment" means any beneficial ownership of (including stock, partnership interest or other securities) any Person, or any loan, advance or capital contribution to any Person.

"IRC" means the Internal Revenue Code of 1986, as amended, and the regulations thereunder.

"Lien" means any mortgage, lien, deed of trust, charge, pledge, security interest or other encumbrance.

"Loan Documents" means, collectively, this Agreement, any note or notes executed by Borrower, and any other agreement entered into between Borrower and Bank in connection with this Agreement, all as amended or extended from time to time.

"Material Adverse Effect" means a material adverse effect on (i) the business operations or condition (financial or otherwise) of Borrower and its Subsidiaries taken as a whole or (ii) the ability of Borrower to repay the Obligations or otherwise perform its obligations under the Loan Documents.

"Minority Interest" means the equity interest of Borrower in Novatel Canada.

"Negotiable Collateral" means all of Borrower's present and future letters of credit of which it is a beneficiary, notes, drafts, instruments, securities, documents of title, and chattel paper, and Borrower's Books relating to any of the foregoing.

"Net Worth" means net worth, as determined in accordance with GAAP.

"Novatel Canada" means Novatel Wireless Technologies, Ltd., a corporation organized under the laws of Alberta.

"Obligations" means all debt, principal, interest, Bank Expenses and other amounts owed to Bank by Borrower pursuant to this Agreement or any other agreement, whether absolute or contingent, due or to become due, now existing or hereafter arising, including any interest that accrues after the commencement of an Insolvency Proceeding and including any debt, liability, or obligation owing from Borrower to others that Bank may have obtained by assignment or otherwise.

"Patents" means all patents, patent applications and like protections including without limitation improvements, divisions, continuations, renewals, reissues, extensions and continuations-in-part of the same.

"Periodic Payments" means all installments or similar recurring payments that Borrower may now or hereafter become obligated to pay to Bank pursuant to the terms and provisions of any instrument, or agreement now or hereafter in existence between Borrower and Bank.

"Permitted Indebtedness" means:

(a) Indebtedness of Borrower in favor of Bank arising under this Agreement or any other Loan Document;

(b) Indebtedness existing on the Closing Date and disclosed in the Schedule;

(c) Indebtedness secured by a lien described in clause (c) of the defined term "Permitted Liens," provided such Indebtedness does not exceed the lesser of the cost or fair market value of the equipment financed with such Indebtedness;

(d) Subordinated Debt;

(e) accounts payable to trade creditors and accrued expenses (other than for money borrowed) that are not aged more than 30 days from due date, in each case incurred in the ordinary course of business and paid within such time period, unless the same are being actively contested in good faith and by appropriate and lawful proceedings, and Borrower shall have set aside such reserves, if any, with respect thereto as are required by GAAP and deemed adequate by Borrower and its independent accountants;

(f) rental obligations under existing leases of Borrower;

(g) contingent liabilities arising out of endorsements of checks and other negotiable instruments for deposit or collection in the ordinary course of Borrower's business;

(h) intercompany indebtedness among Borrower and Guarantors;

(i) taxes, assessments and governmental charges or levies which are not delinquent or which are being contested in good faith and for which, in accordance with GAAP, adequate reserves have been set aside on the books of Borrower; and

(j) indebtedness not included in paragraphs (a) through (i) above which does not exceed at any time, in the aggregate, the sum of $50,000.

"Permitted Investment" means:

(a) Investments existing on the Closing Date disclosed in the Schedule; and

(b) (i) marketable direct obligations issued or unconditionally guaranteed by the United States of America or any agency or any State thereof maturing within one (1) year from the date of acquisition thereof, (ii) commercial paper maturing no more than one (1) year from the date of creation thereof and currently having rating of at least A-2 or P-2 from either Standard & Poor's Corporation or Moody's Investors Service, (iii) certificates of deposit maturing no more than one (1) year from the date of investment therein issued by Bank and (iv) Bank's money market accounts.

"Permitted Liens" means the following:

(a) Any Liens existing on the Closing Date and disclosed in the Schedule or arising under this Agreement or the other Loan Documents;

(b) Liens for taxes, fees, assessments or other governmental charges or levies, either not delinquent or being contested in good faith by appropriate proceedings, provided the same have no priority over any of Bank's security interests;

(c) Liens (i) upon or in any equipment acquired or held by Borrower or any of its Subsidiaries to secure the purchase price of such equipment or indebtedness incurred solely for the purpose of financing the acquisition of such equipment, or (ii) existing on such equipment at the time of its acquisition, provided that the Lien is confined solely to the property so acquired and improvements thereon, and the proceeds of such equipment;

(d) Liens incurred in connection with the extension, renewal or refinancing of the indebtedness secured by Liens of the type described in clauses (a) through (c) above, provided that any extension, renewal or replacement Lien shall be limited to the property encumbered by the existing Lien and the principal amount of the indebtedness being extended, renewed or refinanced does not increase.

"Person" means any individual, sole proprietorship, partnership, limited liability company, joint venture, trust, unincorporated organization, association, corporation, institution, public benefit corporation, firm, joint stock company, estate, entity or governmental agency.

"Prime Rate" means the variable rate of interest, per annum, quoted from time to time in the Western Edition of The Wall Street Journal, as the "prime rate," whether or not such rate is the lowest rate available from Bank.

"Quick Assets" means, at any date as of which the amount thereof shall be determined, the unrestricted cash and cash-equivalents and billed trade accounts receivable of Borrower determined in accordance with GAAP.

"Responsible Officer" means each of the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer and the Controller of Borrower.

"Revolving Facility" means the facility under which Borrower may request Bank to issue Advances, as specified in Section 2.1(a) hereof.

"Revolving Maturity Date" means the day before the first anniversary of the Closing Date.

"Schedule" means the schedule of exceptions attached hereto, if any.

"Subordinated Debt" means any debt incurred by Borrower that is subordinated to the debt owing by Borrower to Bank on terms reasonably acceptable to Bank (and identified as being such by Borrower and Bank).

"Subsidiary" means any corporation or partnership in which (i) any general partnership interest or (ii) more than 50% of the stock of which by the terms thereof ordinary voting power to elect the Board of Directors, managers or trustees of the entity, at the time as of which any determination is being made, is owned by Borrower, either directly or through an Affiliate.

"Tangible Net Worth" means the excess of total assets over Total Liabilities, excluding from the determination of total assets all assets that would be classified as intangible assets under GAAP.

"Total Liabilities" means at any date as of which the amount thereof shall be determined, all obligations that should, in accordance with GAAP be classified as liabilities on the consolidated balance sheet of Borrower, including in any event all Indebtedness.

"Trademarks" means any trademark and servicemark rights, whether registered or not, applications to register and registrations of the same and like protections, and the entire goodwill of the business of Borrower connected with and symbolized by such trademarks.

1.2 Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP and all calculations made hereunder shall be made in accordance with GAAP. When used herein, the terms "financial statements" shall include the notes and schedules thereto.

2. LOAN AND TERMS OF PAYMENT.

2.1 Credit Extensions.

Borrower promises to pay to the order of Bank, in lawful money of the United States of America, the aggregate unpaid principal amount of all Credit Extensions made by Bank to Borrower hereunder. Borrower shall also pay interest on the unpaid principal amount of such Credit Extensions at rates in accordance with the terms hereof.

(a) Revolving Advances.

(i) Subject to and upon the terms and conditions of this Agreement, Borrower may request Advances in an aggregate outstanding amount not to exceed the lesser of (i) the Committed Revolving Line or (ii) the Borrowing Base, minus, in each case, the aggregate undrawn face amount of the outstanding Letters of Credit, and any drawn but unreimbursed Letters of Credit. Subject to the terms and conditions of this Agreement, amounts borrowed pursuant to this Section 2.1(a) may be repaid and reborrowed at any time prior to the Revolving Maturity Date, at which time all Advances under this Section 2.1(a) shall be immediately due and payable. Borrower may prepay any Advances without penalty or premium. Borrower's obligation to repay the Advances is evidenced by this Agreement and a Promissory Note in substantially the form of Exhibit B attached hereto.

(ii) Whenever Borrower desires an Advance, Borrower will notify Bank by facsimile transmission or telephone no later than 3:00 p.m. Pacific time, on the Business Day that the Advance is to be made. Each such notification shall be promptly confirmed by a Payment/Advance Form in substantially the form of Exhibit C hereto. Bank is authorized to make Advances under this Agreement, based upon instructions received from a Responsible Officer or a designee of a Responsible Officer, or without instructions if in Bank's discretion such Advances are necessary to meet Obligations which have become due and remain unpaid. Bank shall be entitled to rely on any telephonic notice given by a person who Bank reasonably believes to be a Responsible Officer or a designee thereof, and Borrower shall indemnify and hold Bank harmless for any damages or loss suffered by Bank as a result of such reliance. Bank will credit the amount of Advances made under this Section 2.1(a) to Borrower's deposit account.

(b) Letters of Credit.

(i) Subject to the terms and conditions of this Agreement, Bank agrees to issue or cause to be issued letters of credit for the account of Borrower (each, a "Letter of Credit" and collectively, the "Letters of Credit") in an aggregate outstanding face amount not to exceed the lesser of the availability under the Committed Revolving Line and the Borrowing Base; provided the undrawn face amount of such Letters of Credit and any drawn but unreimbursed Letters of Credit shall not in any case exceed Five Hundred Thousand Dollars ($500,000) in the aggregate. All Letters of Credit shall be, in form and substance, acceptable to Bank in its sole discretion and shall be subject to the terms of Bank's form of standard application and letter of credit agreement, including Bank's fee equal to two percent (2%) of the face amount of each Letter of Credit. On any drawn but unreimbursed Letter of Credit, the unreimbursed amount shall be deemed an Advance under Section 2.1(a). No Letter of Credit may have an expiration date later than the Revolving Maturity Date.

(ii) Subject to the penultimate sentence of Section 2.1(b)(i), the obligation of Borrower to immediately reimburse Bank for drawings made under Letters of Credit shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement and such Letters of Credit, under all circumstances whatsoever. Borrower shall indemnify, defend, protect, and hold Bank harmless from any loss, cost, expense or liability, including, without limitation, reasonable attorneys' fees, arising out of or in connection with any Letters of Credit, except for expenses caused by Bank's gross negligence or willful misconduct.

2.2 Overadvances. If at any time the aggregate amount of the outstanding Advances plus the undrawn face amount of any outstanding Letters of Credit, and any drawn but unreimbursed Letters of Credit, exceeds the lesser of the Borrowing Base or the Committed Revolving Line, Borrower shall immediately pay to Bank, in cash, the amount of such excess.

2.3 Interest Rates, Payments, and Calculations.

(a) Interest Rate. Except as set forth in Section 2.3(b), the Advances shall bear interest, on the outstanding daily balance thereof, at a rate equal to one and three quarters percent (1.75%) above the Prime Rate, provided the interest rate shall be equal to one half percent (0.5%) above the Prime Rate from and after Bank's receipt of written certification from a Responsible Officer that the Equity Event has occurred.

(b) Default Rate. All Obligations shall bear interest, from and after the occurrence and during the continuance of an Event of Default, at a rate equal to five (5) percentage points above the interest rate applicable immediately prior to the occurrence of the Event of Default.

(c) Payments. Interest hereunder shall be due and payable in arrears on the twenty-seventh calendar day of each month during the term hereof. Bank shall, at its option, charge such interest, all Bank Expenses, and all Periodic Payments against any of Borrower's deposit accounts or against the Committed Revolving Line, in which case those amounts shall thereafter accrue interest at the rate then applicable hereunder. Any interest not paid when due shall be compounded by becoming a part of the Obligations, and such interest shall thereafter accrue interest at the rate then applicable hereunder.

(d) Computation. In the event the Prime Rate is changed from time to time hereafter, the applicable rate of interest hereunder shall be increased or decreased, effective as of the day the Prime Rate is changed, by an amount equal to such change in the Prime Rate. All interest chargeable under the Loan Documents shall be computed on the basis of a three hundred sixty (360) day year for the actual number of days elapsed.

2.4 Crediting Payments. Prior to the occurrence of an Event of Default, Bank shall credit a wire transfer of funds, check or other item of payment to such deposit account or Obligation as Borrower specifies. After the occurrence of an Event of Default, the receipt by Bank of any wire transfer of funds, check, or other item of payment shall be immediately applied to conditionally reduce Obligations, but shall not be considered a payment on account unless such payment is of immediately available federal funds or unless and until such check or other item of payment is honored when presented for payment. Notwithstanding anything to the contrary contained herein, any wire transfer or payment received by Bank after 12:00 noon Eastern time shall be deemed to have been received by Bank as of the opening of business on the immediately following Business Day. Whenever any payment to Bank under the Loan Documents would otherwise be due (except by reason of acceleration) on a date that is not a Business Day, such payment shall instead be due on the next Business Day, and additional fees or interest, as the case may be, shall accrue and be payable for the period of such extension.

2.5 Fees. Borrower shall pay to Bank the following:

(a) Facility Fee. On the Closing Date, a Facility Fee equal to Eighteen Thousand Seven Hundred Fifty Dollars ($18,750), which shall be nonrefundable;

(b) Bank Expenses. On the Closing Date, all Bank Expenses incurred through the Closing Date, including reasonable attorneys' fees and expenses and, after the Closing Date, all Bank Expenses, including reasonable attorneys' fees and expenses, as and when they become due. Bank shall provide to Borrower monthly accountings of all Bank Expenses.

2.6 Additional Costs. In case after the date hereof any law, regulation, treaty or official directive or the interpretation or application thereof by any court or any governmental authority charged with the administration thereof or the compliance with any guideline or request of any central bank or other governmental authority (whether or not having the force of law):

(a) subjects Bank to any tax with respect to payments of principal or interest or any other amounts payable hereunder by Borrower or otherwise with respect to the transactions contemplated hereby (except for taxes on the overall net income of Bank imposed by the United States of America or any political subdivision thereof);

(b) imposes, modifies or deems applicable any deposit insurance, reserve, special deposit or similar requirement against assets held by, or deposits in or for the account of, or loans by, Bank; or

(c) imposes upon Bank any other condition with respect to its performance under this Agreement,

and the result of any of the foregoing is to increase the cost to Bank, reduce the income receivable by Bank or impose any expense upon Bank with respect to the Obligations, Bank shall notify Borrower thereof. Borrower agrees to pay to Bank the amount of such increase in cost, reduction in income or additional expense as and when such cost, reduction or expense is incurred or determined, upon presentation by Bank of a statement of the amount and setting forth Bank's calculation thereof, all in reasonable detail, which statement shall be deemed true and correct absent manifest error.

2.7 Term. This Agreement shall become effective on the Closing Date and, subject to Section 12.7, shall continue in full force and effect for a term ending on the Revolving Maturity Date. Notwithstanding the foregoing, Bank shall have the right to terminate its obligation to make Credit Extensions under this Agreement immediately and without notice upon the occurrence and during the continuance of an Event of

Default. Notwithstanding termination, Bank's Lien on the Collateral shall remain in effect for so long as any Obligations are outstanding.

3. CONDITIONS OF CREDIT EXTENSIONS.

3.1 Conditions Precedent to Initial Credit Extension. The obligation of Bank to make the initial Credit Extension is subject to the condition precedent that Bank shall have received, in form and substance reasonably satisfactory to Bank, the following:

(a) this Agreement;

(b) a certificate of the Secretary of Borrower with respect to incumbency and resolutions authorizing the execution and delivery of this Agreement;

(c) a financing statement (Form UCC-1);

(d) an intellectual property security agreement in the form of Exhibit F hereto;

(e) an unconditional guaranty and security agreement of each Guarantor;

(f) a warrant to purchase stock in the form of Exhibit G hereto;

(g) an agreement to provide insurance;

(h) a subordination agreement in the form of Exhibit H hereto;

(i) payment of the fees and Bank Expenses then due specified in Section 2.5 hereof;

(j) an audit of the Collateral, the results of which shall be satisfactory to Bank; and

(k) such other documents, and completion of such other matters, as Bank may reasonably deem necessary or appropriate.

3.2 Conditions Precedent to all Credit Extensions. The obligation of Bank to make each Credit Extension, including the initial Credit Extension, is further subject to the following conditions:

(a) timely receipt by Bank of the Payment/Advance Form as provided in Section 2.1; and

(b) the representations and warranties contained in Section 5 shall be true and correct in all material respects on and as of the date of such Payment/Advance Form and on the effective date of each Credit Extension as though made at and as of each such date, and no Event of Default shall have occurred and be continuing, or would exist after giving effect to such Credit Extension (provided, however, that those representations and warranties expressly referring to another date shall be true, correct and complete in all material respects as of such date). The making of each Credit Extension shall be deemed to be a representation and warranty by Borrower on the date of such Credit Extension as to the accuracy of the facts referred to in this Section 3.2(b).

4. CREATION OF SECURITY INTEREST.

4.1 Grant of Security Interest. Borrower grants and pledges to Bank a continuing security interest in all presently existing and hereafter acquired or arising Collateral in order to secure prompt repayment of any and all Obligations and in order to secure prompt performance by Borrower of each of its covenants and duties under the Loan Documents. Except for Permitted Liens, such security interest constitutes a valid, first priority security interest in the presently existing Collateral, and will constitute a valid, first priority security interest in Collateral acquired after the date hereof.

4.2 Delivery of Additional Documentation Required. Borrower shall from time to time execute and deliver to Bank, at the request of Bank, all Negotiable Collateral, the certificates evidencing all of the outstanding capital stock of each Guarantor (together with stock powers executed in blank), all financing statements and other documents that Bank may reasonably request, in form satisfactory to Bank, to perfect and continue perfected Bank's security interests in the Collateral and in order to fully consummate all of the transactions contemplated under the Loan Documents.

4.3 Right to Inspect. Bank (through any of its officers, employees, or agents) shall have the right, upon reasonable prior notice, from time to time during Borrower's usual business hours but no more than once a year (unless an Event of Default has occurred and is continuing), to inspect Borrower's Books and to make copies thereof and to check, test, and appraise the Collateral in order to verify Borrower's financial condition or the amount, condition of, or any other matter relating to, the Collateral.

5. REPRESENTATIONS AND WARRANTIES.

Borrower represents and warrants as follows:

5.1 Due Organization and Qualification. Borrower and each Subsidiary is a corporation duly existing under the laws of its state or province of incorporation and qualified and licensed to do business in any jurisdiction in which failure to be so qualified or licensed could reasonably be expected to have a Material Adverse Effect.

5.2 Due Authorization; No Conflict. The execution, delivery, and performance of the Loan Documents are within Borrower's powers, have been duly authorized, and are not in conflict with nor constitute a breach of any provision contained in Borrower's Articles of Incorporation or Bylaws, nor will they constitute an event of default under any material agreement to which Borrower is a party or by which Borrower is bound. Borrower is not in default under any agreement to which it is a party or by which it is bound, which default could have a Material Adverse Effect.

5.3 No Prior Encumbrances. Borrower has good and indefeasible title to the Collateral, free and clear of Liens, except for Permitted Liens.

5.4 Bona Fide Eligible Accounts. The Eligible Accounts are bona fide existing obligations. The property giving rise to such Eligible Accounts has been delivered to the account debtor or to the account debtor's agent for immediate shipment to and acceptance by the account debtor, subject only to usual and customary return rights, or the services giving rise to such Eligible Accounts have been fully performed. Borrower has not received notice of actual or imminent Insolvency Proceeding of any account debtor that is included in any Borrowing Base Certificate as an Eligible Account.

5.5 Merchantable Inventory. All Eligible Inventory is in all material respects of good and marketable quality, free from all material defects.

5.6 Intellectual Property Collateral. Borrower is the sole owner of the Intellectual Property Collateral, except for non-exclusive licenses granted by Borrower to its customers in the ordinary course of business. Each of the Patents is valid and enforceable, and no part of the Intellectual Property Collateral has been judged invalid or unenforceable, in whole or in part, and no claim has been made that any part of the Intellectual Property Collateral violates the rights of any third party. The Intellectual Property Security Agreement sets forth all of the Intellectual Property Collateral that is material to Borrower's business. Except as set forth in the Schedule, Borrower's rights as a licensee of intellectual property do not give rise to more than five percent (5%) of its gross revenue in any given month, including without limitation revenue derived from the sale, licensing, rendering or disposition of any product or service.

5.7 Name; Location of Chief Executive Office. Except as disclosed in the Schedule, Borrower has not done business under any name other than that specified on the signature page hereof. The chief executive office of Borrower is located at the address indicated in Section 10 hereof.

5.8 Litigation. Except as set forth in the Schedule, there are no actions or proceedings pending by or against Borrower or any Subsidiary before any court or administrative agency in which an adverse decision could reasonably be expected to have a Material Adverse Effect, or a material adverse effect on Borrower's interest or Bank's security interest in the Collateral.

5.9 No Material Adverse Change in Financial Statements. All consolidated financial statements of Borrower and any Subsidiary that are delivered by Borrower to Bank fairly present in all material respects Borrower's consolidated financial condition as of the date thereof and Borrower's consolidated results of operations for the period then ended. There has not been a material adverse change in the consolidated financial condition of Borrower since the date of the most recent of such financial statements submitted to Bank.

5.10 Solvency, Payment of Debts. Borrower is solvent and able to pay its debts (including trade debts) as they mature.

5.11 Regulatory Compliance. Borrower and each Subsidiary have met the minimum funding requirements of ERISA with respect to any employee benefit plans subject to ERISA. No event has occurred resulting from Borrower's failure to comply with ERISA that is reasonably likely to result in Borrower's incurring any liability that could have a Material Adverse Effect. Borrower is not an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940. Borrower is not engaged principally, or as one of the important activities, in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulations T and U of the Board of Governors of the Federal Reserve System). Borrower has complied in all material respects with all the provisions of the Federal Fair Labor Standards Act. Borrower has not violated any statutes, laws, ordinances or rules applicable to it, violation of which could reasonably be expected to have a Material Adverse Effect.

5.12 Environmental Condition. Except as disclosed in the Schedule, none of Borrower's or any Subsidiary's properties or assets has ever been used by Borrower or any Subsidiary or, to the best of Borrower's knowledge, by previous owners or operators, in the disposal of, or to produce, store, handle, treat, release, or transport, any hazardous waste or hazardous substance other than in accordance with applicable law; to the best of Borrower's knowledge, none of Borrower's properties or assets has ever been designated or identified in any manner pursuant to any environmental protection statute as a hazardous waste or hazardous substance disposal site, or a candidate for closure pursuant to any environmental protection statute; no lien arising under any environmental protection statute has attached to any revenues or to any real or personal property owned by Borrower or any Subsidiary; and neither Borrower nor any Subsidiary has received a summons, citation, notice, or directive from the Environmental Protection Agency or any other federal, state or other governmental agency concerning any action or omission by Borrower or any Subsidiary resulting in the releasing, or otherwise disposing of hazardous waste or hazardous substances into the environment.

5.13 Taxes. Borrower and each Subsidiary have filed or caused to be filed all tax returns required to be filed, and have paid (unless the same are being contested in good faith by appropriate proceedings), or have made adequate provision for the payment of, all taxes reflected therein.

5.14 Subsidiaries. Borrower does not own any stock, partnership interest or other equity securities of any Person, except for Permitted Investments.

5.15 Government Consents. Borrower and each Subsidiary have obtained all consents, approvals and authorizations of, made all declarations or filings with, and given all notices to, all governmental authorities that are necessary for the continued operation of Borrower's business as currently conducted, the failure to obtain which could reasonably be expected to have a Material Adverse Effect.

5.16 Year 2000. Borrower and its Subsidiaries have reviewed the areas within their operations and business which could be adversely affected by, and have developed or are developing a program to address on a timely basis, the Year 2000 Problem and have made related appropriate inquiry of material suppliers and vendors, and based on such review and program, the Year 2000 Problem will not have a Material Adverse Effect upon its financial condition, operations or business as now conducted. "Year 2000 Problem" means the possibility that any

computer applications or equipment used by Borrower may be unable to recognize and properly perform date sensitive functions involving certain dates prior to and any dates on or after December 31, 1999.

5.17 Full Disclosure. No representation, warranty or other statement made by Borrower in any certificate or written statement furnished to Bank contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained in such certificates or statements not misleading.

6. AFFIRMATIVE COVENANTS.

Borrower covenants and agrees that, until payment in full of all outstanding Obligations, and for so long as Bank may have any commitment to make a Credit Extension hereunder, Borrower shall do all of the following:

6.1 Good Standing. Borrower shall maintain its and each of its Subsidiaries' corporate existence in its jurisdiction of incorporation and maintain qualification in each jurisdiction in which the failure to so qualify could reasonably be expected to have a Material Adverse Effect. Borrower shall maintain, and shall cause each of its Subsidiaries to maintain, in force all licenses, approvals and agreements, the loss of which could reasonably be expected to have a Material Adverse Effect.

6.2 Government Compliance. Borrower shall meet, and shall cause each Subsidiary to meet, the minimum funding requirements of ERISA with respect to any employee benefit plans subject to ERISA. Borrower shall comply, and shall cause each Subsidiary to comply, with all statutes, laws, ordinances and government rules and regulations to which it is subject, noncompliance with which could reasonably be expected to have a Material Adverse Effect, or a material adverse effect on the Collateral or the priority of Bank's Lien on the Collateral.

6.3 Financial Statements, Reports, Certificates. Borrower shall deliver to Bank: (a) as soon as available, but in any event within twenty (20) days after the end of each calendar month, a company prepared consolidated balance sheet and income statement covering Borrower's consolidated operations during such period, in a form acceptable to Bank and certified by a Responsible Officer; (b) as soon as available, but in any event within ninety (90) days after the end of Borrower's fiscal year, audited consolidated financial statements of Borrower prepared in accordance with GAAP, consistently applied, together with an unqualified opinion on such financial statements of an independent certified public accounting firm reasonably acceptable to Bank; (c) as soon as available, but in any event within twenty (20) days after the end of Borrower's fiscal quarter, a company prepared consolidating balance sheet and income statement for Borrower and each Guarantor; (d) copies of all statements, reports and notices sent or made available generally by Borrower to its security holders or to any holders of Subordinated Debt and, to the extent applicable, all reports on Forms 10-K and 10-Q filed with the Securities and Exchange Commission; (e) promptly upon receipt of notice thereof, a report of any legal actions pending or threatened against Borrower or any Subsidiary that could reasonably be expected to result in damages or costs to Borrower or any Subsidiary of Fifty Thousand Dollars ($50,000) or more; (f) such budgets, sales projections, operating plans or other financial information as Bank may reasonably request from time to time generally prepared by Borrower in the ordinary course of business; and (g) within thirty (30) days of the last day of each fiscal quarter, a report signed by Borrower, in form reasonably acceptable to Bank, listing any applications or registrations that Borrower has made or filed in respect of any Patents, Copyrights or Trademarks and the status of any outstanding applications or registrations, as well as any material change in Borrower's intellectual property, including but not limited to any subsequent ownership right of Borrower in or to any Trademark, Patent or Copyright not specified in Exhibits A, B, and C of the Intellectual Property Security Agreement delivered to Bank by Borrower in connection with this Agreement.

Within twenty (20) days after the last day of each month in which any Credit Extension is outstanding, Borrower shall deliver to Bank a Borrowing Base Certificate signed by a Responsible Officer in substantially the form of Exhibit D hereto, together with aged listings of accounts receivable and accounts payable.

Borrower shall deliver to Bank with the monthly financial statements a Compliance Certificate signed by a Responsible Officer in substantially the form of Exhibit E hereto.

Bank shall have a right from time to time hereafter to audit Borrower's Accounts and appraise Collateral at Borrower's expense, provided that such audits will be conducted no more often than annually unless an Event of Default has occurred and is continuing.

6.4 Inventory; Returns. Borrower shall keep all Inventory in good and marketable condition, free from all material defects except for Inventory for which adequate reserves have been made. Returns and allowances, if any, as between Borrower and its account debtors shall be on the same basis and in accordance with the usual customary practices of Borrower, as they exist at the time of the execution and delivery of this Agreement. Borrower shall promptly notify Bank of all returns and recoveries and of all disputes and claims, where the return, recovery, dispute or claim involves more than Fifty Thousand Dollars ($50,000).

6.5 Taxes. Borrower shall make, and shall cause each Subsidiary to make, due and timely payment or deposit of all material federal, state, and local taxes, assessments, or contributions required of it by law, and will execute and deliver to Bank, on demand, appropriate certificates attesting to the payment or deposit thereof; and Borrower will make, and will cause each Subsidiary to make, timely payment or deposit of all material tax payments and withholding taxes required of it by applicable laws, including, but not limited to, those laws concerning F.I.C.A., F.U.T.A., state disability, and local, state, and federal income taxes, and will, upon request, furnish Bank with proof satisfactory to Bank indicating that Borrower or a Subsidiary has made such payments or deposits; provided that Borrower or a Subsidiary need not make any payment if the amount or validity of such payment is contested in good faith by appropriate proceedings and is reserved against (to the extent required by GAAP) by Borrower.

6.6 Insurance.

(a) Borrower, at its expense, shall keep the Collateral insured against loss or damage by fire, theft, explosion, sprinklers, and all other hazards and risks, and in such amounts, as ordinarily insured against by other owners in similar businesses conducted in the locations where Borrower's business is conducted on the date hereof. Borrower shall also maintain insurance relating to Borrower's ownership and use of the Collateral in amounts and of a type that are customary to businesses similar to Borrower's.

(b) All such policies of insurance shall be in such form, with such companies, and in such amounts as reasonably satisfactory to Bank. All such policies of property insurance shall contain a lender's loss payable endorsement, in a form satisfactory to Bank, showing Bank as an additional loss payee thereof, and all liability insurance policies shall show the Bank as an additional insured and shall specify that the insurer must give at least twenty (20) days notice to Bank before canceling its policy for any reason. Upon Bank's request, Borrower shall deliver to Bank certified copies of such policies of insurance and evidence of the payments of all premiums therefor. All proceeds payable under any such policy shall, at the option of Bank, be payable to Bank to be applied on account of the Obligations.

6.7 Year 2000 Compliance. Borrower shall perform all acts reasonably necessary to ensure that Borrower and any business in which Borrower holds a substantial interest become Year 2000 Compliant in a timely manner. Such acts shall include, without limitation, performing a comprehensive review and assessment of all Borrower's systems and adopting a detailed plan, with itemized budget, for the remediation, monitoring and testing of such systems. As used in this paragraph, "Year 2000 Compliant" shall mean, in regard to any entity, that all software, hardware, firmware, equipment, goods or systems utilized by or material to the business operations or financial condition of such entity, will properly perform date sensitive functions before, during and after the year 2000. Borrower shall, promptly upon request, provide to Bank such certifications or other evidence of Borrower's compliance with the terms of this paragraph as Bank may from time to time reasonably require.

6.8 Principal Depository. Borrower shall maintain its principal depository and operating accounts with Bank.

6.9 Quick Ratio. Borrower shall maintain, as of the last day of each fiscal quarter, beginning on March 31, 2000, a ratio of Quick Assets to Current Liabilities of at least 1.25 to 1.00.

6.10 Profitability. Borrower shall not suffer cumulative monthly losses from the Closing Date through the last day of each month in excess of 125% of the losses set forth in the projection delivered to Bank as of the Closing Date (excluding any loss attributable to the tax expense recognized under GAAP in connection with issuance of warrants to the holders of the Subordinated Debt).

6.11 Net Worth. Borrower shall maintain at all times through January 31, 2000 a balance of Adjusted Net Worth plus Subordinated Debt of at least One Million Dollars ($1,000,000). Beginning March 31, 2000, Borrower shall maintain as of the last day of each fiscal quarter a Net Worth of at least Ten Million Dollars ($10,000,000).

6.12 Total Liabilities-Tangible Net Worth. Beginning March 31, 2000, Borrower shall maintain, as of the last day of each fiscal quarter, a ratio of Total Liabilities to Tangible Net Worth of not more than 1.00 to 1.00.

6.13 Registration of Intellectual Property Rights.

(a) Borrower shall register or cause to be registered on an expedited basis (to the extent not already registered) with the United States Patent and Trademark Office or the United States Copyright Office, as applicable: (i) those intellectual property rights listed on Exhibits A, B and C to the Intellectual Property Security Agreement delivered to Bank by Borrower in connection with this Agreement, within thirty (30) days of the date of this Agreement, (ii) all registerable intellectual property rights Borrower has developed as of the date of this Agreement but heretofore failed to register, within thirty (30) days of the date of this Agreement, and (iii) those additional intellectual property rights developed or acquired by Borrower from time to time in connection with any product, prior to the sale or licensing of such product to any third party, and prior to Borrower's use of such product (including without limitation major revisions or additions to the intellectual property rights listed on such Exhibits A, B and C). Borrower shall give Bank notice of all such applications or registrations.

(b) Borrower shall execute and deliver such additional instruments and documents from time to time as Bank shall reasonably request to perfect Bank's security interest in the Intellectual Property Collateral.

(c) Borrower shall (i) protect, defend and maintain the validity and enforceability of the Trademarks, Patents and Copyrights, (ii) use its best efforts to detect infringements of the Trademarks, Patents and Copyrights and promptly advise Bank in writing of material infringements detected and (iii) not allow any material Trademarks, Patents or Copyrights to be abandoned, forfeited or dedicated to the public without the written consent of Bank, which shall not be unreasonably withheld.

(d) Bank may audit Borrower's Intellectual Property Collateral to confirm compliance with this Section 6.13, provided such audit may not occur more often than once per year, unless an Event of Default has occurred and is continuing. Bank shall have the right, but not the obligation, to take, at Borrower's sole expense, any actions that Borrower is required under this Section 6.13 to take but which Borrower fails to take, after fifteen (15) days' notice to Borrower. Borrower shall reimburse and indemnify Bank for all reasonable costs and reasonable expenses incurred in the reasonable exercise of its rights under this Section 6.13.

6.14 Further Assurances. At any time and from time to time Borrower shall execute and deliver such further instruments and take such further action as may reasonably be requested by Bank to effect the purposes of this Agreement.

7. NEGATIVE COVENANTS.

Borrower covenants and agrees that, so long as any credit hereunder shall be available and until payment in full of the outstanding Obligations or for so long as Bank may have any commitment to make any Credit Extensions, Borrower will not do any of the following without the prior written consent of Bank:

7.1 Dispositions. Convey, sell, lease, transfer or otherwise dispose of (collectively, a "Transfer"), or permit any of its Subsidiaries to Transfer, all or any part of its business or property, other than: (i) Transfers of Inventory in the ordinary course of business; (ii) Transfers of non-exclusive licenses and similar arrangements for the use of the property of Borrower or its Subsidiaries; or (iii) Transfers of surplus, worn-out or obsolete Equipment; or (iv) Transfers of property with an aggregate value of $50,000 or less per fiscal year of Borrower.

7.2 Change in Business. Engage in any business, or permit any of its Subsidiaries to engage in any business, other than the businesses currently engaged in by Borrower and its Subsidiaries and any business substantially similar or related thereto (or incidental thereto). Borrower will not, without thirty (30) days prior written notification to Bank, relocate its chief executive office.

7.3 Mergers or Acquisitions. Merge or consolidate, or permit any of its Subsidiaries to merge or consolidate, with or into any other business organization, or acquire, or permit any of its Subsidiaries to acquire, all or substantially all of the capital stock or property of another Person; provided that a Subsidiary of Borrower may merge with and into Borrower, so long as Borrower is the surviving entity.

7.4 Indebtedness. Create, incur, assume or be or remain liable with respect to any Indebtedness, or permit any Subsidiary so to do, other than Permitted Indebtedness.

7.5 Encumbrances. Create, incur, assume or suffer to exist any Lien with respect to any of its property, or assign or otherwise convey any right to receive income, including the sale of any Accounts, or permit any of its Subsidiaries so to do, except for Permitted Liens.

7.6 Distributions. Pay any dividends or make any other distribution or payment on account of or in redemption, retirement or purchase of any capital stock, except that Borrower may (i) repurchase the stock of former employees pursuant to stock repurchase agreements, but only so long as an Event of Default does not exist or would not exist after giving effect to such repurchase and (ii) make distributions in capital stock of Borrower.

7.7 Investments. Directly or indirectly acquire or own, or make any Investment in or to any Person, or permit any of its Subsidiaries so to do, other than Permitted Investments.

7.8 Transactions with Affiliates. Directly or indirectly enter into or permit to exist any material transaction with any Affiliate of Borrower except for transactions that are in the ordinary course of Borrower's business, upon fair and reasonable terms that are no less favorable to Borrower than would be obtained in an arm's length transaction with a non-affiliated Person.

7.9 Subordinated Debt. Make any payment in respect of any Subordinated Debt, or permit any of its Subsidiaries to make any such payment, except in compliance with the terms of such Subordinated Debt, or amend any provision contained in any documentation relating to the Subordinated Debt without Bank's prior written consent.

7.10 Inventory and Equipment. Store the Inventory or the Equipment with a bailee, warehouseman, or similar party unless Bank has received a pledge of the warehouse receipt covering such Inventory; provided, however, that Borrower may deposit software code in escrow for customers in the ordinary course of business. Except for Inventory sold in the ordinary course of business and except for such other locations as Bank may approve in writing, Borrower shall keep the Inventory and Equipment only at the location set forth in Section 10 hereof and such other locations of which Borrower gives Bank prior written notice and as to which Borrower signs and files at Bank's request a financing statement where needed to perfect Bank's security interest.

7.11 Compliance. Become an "investment company" or be controlled by an "investment company," within the meaning of the Investment Company Act of 1940, or become principally engaged in, or undertake as one of its important activities, the business of extending credit for the purpose of purchasing or carrying margin stock, or use the proceeds of any Credit Extension for such purpose. Fail to meet the minimum funding requirements of ERISA, permit a Reportable Event or Prohibited Transaction, as defined in ERISA, to

occur, fail to comply in all material respects with the Federal Fair Labor Standards Act or violate any law or regulation, which violation could reasonably be expected to have a Material Adverse Effect, or a material adverse effect on the Collateral or the priority of Bank's Lien on the Collateral, or permit any of its Subsidiaries to do any of the foregoing.

7.12 Negative Pledge Agreements. Borrower shall not permit the inclusion in any contract to which it becomes a party of any provisions that could or might in any way prevent the creation of a security interest in Borrower's rights and interests in any Collateral, unless an exception is made therein for the security interest of Bank.

8. EVENTS OF DEFAULT.

Any one or more of the following events shall constitute an Event of Default by Borrower under this Agreement:

8.1 Payment Default. If Borrower fails to pay, when due, any of the Obligations;

8.2 Covenant Default. If Borrower fails to perform any obligation under Article 6 or violates any of the covenants contained in Article 7 of this Agreement, or fails or neglects to perform, keep, or observe any other material term, provision, condition, covenant, or agreement contained in this Agreement, in any of the Loan Documents, or in any other present or future agreement between Borrower and Bank and as to any default under such other term, provision, condition, covenant or agreement that can be cured, has failed to cure such default within ten (10) days after Borrower receives notice thereof or any officer of Borrower becomes aware thereof; provided, however, that if the default cannot by its nature be cured within the ten (10) day period or cannot after diligent attempts by Borrower be cured within such ten (10) day period, and such default is likely to be cured within a reasonable time, then Borrower shall have an additional reasonable period (which shall not in any case exceed thirty (30) days) to attempt to cure such default, and within such reasonable time period the failure to have cured such default shall not be deemed an Event of Default (provided that no Credit Extensions will be required to be made during such cure period);

8.3 Material Adverse Change. If there occurs a material adverse change in Borrower's business or financial condition, or if there is a material impairment of the prospect of repayment of any portion of the Obligations or a material impairment of the value or priority of Bank's security interests in the Collateral;

8.4 Attachment. If any material portion of Borrower's assets is attached, seized, subjected to a writ or distress warrant, or is levied upon, or comes into the possession of any trustee, receiver or person acting in a similar capacity and such attachment, seizure, writ or distress warrant or levy has not been removed, discharged or rescinded within thirty (30) days, or if Borrower is enjoined, restrained, or in any way prevented by court order from continuing to conduct all or any material part of its business affairs, or if a judgment or other claim becomes a lien or encumbrance upon any material portion of Borrower's assets, or if a notice of lien, levy, or assessment is filed of record with respect to any of Borrower's assets by the United States Government, or any department, agency, or instrumentality thereof, or by any state, county, municipal, or governmental agency, and the same is not paid within thirty (30) days after Borrower receives notice thereof, provided that none of the foregoing shall constitute an Event of Default where such action or event is stayed or an adequate bond has been posted pending a good faith contest by Borrower (provided that no Credit Extensions will be required to be made during such cure period);

8.5 Insolvency. If Borrower becomes insolvent, or if an Insolvency Proceeding is commenced by Borrower, or if an Insolvency Proceeding is commenced against Borrower and is not dismissed or stayed within thirty (30) days (provided that no Credit Extensions will be made prior to the dismissal of such Insolvency Proceeding);

8.6 Other Agreements. If there is a default in any agreement to which Borrower is a party with a third party or parties resulting in a right by such third party or parties, whether or not exercised, to accelerate the maturity of any Indebtedness in an amount in excess of $250,000 or that could reasonably be expected to have a Material Adverse Effect;

8.7 Subordinated Debt. If Borrower makes any payment on account of Subordinated Debt, except to the extent such payment is allowed herein or under any subordination agreement entered into with Bank;

8.8 Judgments. If a judgment or judgments for the payment of money in an amount, individually or in the aggregate, of at least $250,000 shall be rendered against Borrower and shall remain unsatisfied and unstayed for a period of ten (10) days (provided that no Credit Extensions will be made prior to the satisfaction or stay of such judgment); or

8.9 Misrepresentations. If any material misrepresentation or material misstatement exists now or hereafter in any warranty or representation set forth herein or in any certificate delivered to Bank by any Responsible Officer pursuant to this Agreement or to induce Bank to enter into this Agreement or any other Loan Document.

8.10 Guaranty. If any guaranty of all or a portion of the Obligations ceases for any reason to be in full force and effect, or any of the circumstances described in any of Sections 8.3, 8.4 or 8.5 occurs with respect to any Guarantor, or any Guarantor fails to perform any obligation under any guaranty of all or a portion of the Obligations, or any Guarantor revokes or purports to revoke any guaranty of the Obligations, or any material misrepresentation or material misstatement exists now or hereafter in any warranty or representation set forth in any guaranty of all or a portion of the Obligations or in any certificate delivered to Bank in connection with such guaranty.

9. BANK'S RIGHTS AND REMEDIES.

9.1 Rights and Remedies. Upon the occurrence and during the continuance of an Event of Default, Bank may, at its election, without notice of its election and without demand, do any one or more of the following, all of which are authorized by Borrower:

(a) Declare all Obligations, whether evidenced by this Agreement, by any of the other Loan Documents, or otherwise, immediately due and payable (provided that upon the occurrence of an Event of Default described in Section 8.5, all Obligations shall become immediately due and payable without any action by Bank);

(b) Cease advancing money or extending credit to or for the benefit of Borrower under this Agreement or under any other agreement between Borrower and Bank;

(c) Demand that Borrower (i) deposit cash with Bank in an amount equal to the amount of any Letters of Credit remaining undrawn, as collateral security for the repayment of any future drawings under such Letters of Credit, and Borrower shall forthwith deposit and pay such amounts, and (ii) pay in advance all Letters of Credit fees scheduled to be paid or payable over the remaining term of the Letters of Credit; and

(d) Settle or adjust disputes and claims directly with account debtors for amounts, upon terms and in whatever order that Bank reasonably considers advisable;

(e) Make such payments and do such acts as Bank considers necessary or reasonable to protect its security interest in the Collateral. Borrower agrees to assemble the Collateral if Bank so requires, and to make the Collateral available to Bank as Bank may designate. Borrower authorizes Bank to enter the premises where the Collateral is located, to take and maintain possession of the Collateral, or any part of it, and to pay, purchase, contest, or compromise any encumbrance, charge, or lien which in Bank's determination appears to be prior or superior to its security interest and to pay all expenses incurred in connection therewith. With respect to any of Borrower's owned premises, Borrower hereby grants Bank a license to enter into possession of such premises and to occupy the same, without charge, in order to exercise any of Bank's rights or remedies provided herein, at law, in equity, or otherwise, but only for so long as is reasonably required for the exercise of such right;

(f) Set off and apply to the Obligations any and all (i) balances and deposits of Borrower held by Bank, or (ii) indebtedness at any time owing to or for the credit or the account of Borrower held by Bank;

(g) Ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, advertise for sale, and sell (in the manner provided for herein) the Collateral. Bank is hereby granted a license or other right, solely pursuant to the provisions of this Section 9.1, to use, without charge, Borrower's labels, patents, copyrights, rights of use of any name, trade secrets, trade names, trademarks, service marks, and advertising matter, or any property of a similar nature, as it pertains to the Collateral, in completing production of, advertising for sale, and selling any Collateral and, in connection with Bank's exercise of its rights under this Section 9.1, Borrower's rights under all licenses and all franchise agreements shall inure to Bank's benefit;

(h) Dispose of the Collateral in accordance with the Code, including a public or private sale, or both, by way of one or more contracts or transactions, for cash or on terms, in such manner and at such places (including Borrower's premises) as is commercially reasonable, and apply any proceeds to the Obligations in whatever manner or order Bank deems appropriate;

(i) Bank may credit bid and purchase at any public sale;

(j) Any deficiency that exists after disposition of the Collateral as provided above will be paid immediately by Borrower.

9.2 Power of Attorney. Effective only upon the occurrence and during the continuance of an Event of Default, Borrower hereby irrevocably appoints Bank (and any of Bank's designated officers, or employees) as Borrower's true and lawful attorney to: (a) send requests for verification of Accounts or notify account debtors of Bank's security interest in the Accounts; (b) endorse Borrower's name on any checks or other forms of payment or security that may come into Bank's possession; (c) sign Borrower's name on any invoice or bill of lading relating to any Account, drafts against account debtors, schedules and assignments of Accounts, verifications of Accounts, and notices to account debtors; (d) dispose of any Collateral; (e) make, settle, and adjust all claims under and decisions with respect to Borrower's policies of insurance; (f) settle and adjust disputes and claims respecting the accounts directly with account debtors, for amounts and upon terms which Bank determines to be reasonable; (g) to modify, in its sole discretion, any intellectual property security agreement entered into between Borrower and Bank without first obtaining Borrower's approval of or signature to such modification by amending Exhibits A, B, and C, thereof, as appropriate, to include reference to any right, title or interest in any Copyrights, Patents or Trademarks acquired by Borrower after the execution hereof or to delete any reference to any right, title or interest in any Copyrights, Patents or Trademarks in which Borrower no longer has or claims to have any right, title or interest; (h) to file, in its sole discretion, one or more financing or continuation statements and amendments thereto, relative to any of the Collateral without the signature of Borrower where permitted by law; and (i) to transfer the Intellectual Property Collateral into the name of Bank or a third party to the extent permitted under the California Uniform Commercial Code; provided Bank may exercise such power of attorney to sign the name of Borrower on any of the documents described in Section 4.2 regardless of whether an Event of Default has occurred if Borrower has not done so within 10 days of Bank's request. The appointment of Bank as Borrower's attorney in fact, and each and every one of Bank's rights and powers, being coupled with an interest, is irrevocable until all of the Obligations have been fully repaid and performed and Bank's obligation to provide advances hereunder is terminated.

9.3 Accounts Collection. At any time during the term of this Agreement, Bank may notify any Person owing funds to Borrower of Bank's security interest in such funds and verify the amount of such Account. Borrower shall collect all amounts owing to Borrower for Bank, receive in trust all payments as Bank's trustee, and immediately deliver such payments to Bank in their original form as received from the account debtor, with proper endorsements for deposit.

9.4 Bank Expenses. If Borrower fails to pay any amounts or furnish any required proof of payment due to third persons or entities, as required under the terms of this Agreement, then Bank may do any or all of the following after reasonable notice to Borrower: (a) make payment of the same or any part thereof; (b) set up such reserves under the Revolving Facility as Bank deems necessary to protect Bank from the exposure created by such failure; or (c) obtain and maintain insurance policies of the type discussed in Section 6.6 of this Agreement,

and take any action with respect to such policies as Bank deems prudent. Any amounts so paid or deposited by Bank shall constitute Bank Expenses, shall be immediately due and payable, and shall bear interest at the then applicable rate hereinabove provided, and shall be secured by the Collateral. Any payments made by Bank shall not constitute an agreement by Bank to make similar payments in the future or a waiver by Bank of any Event of Default under this Agreement.

9.5 Bank's Liability for Collateral. So long as Bank complies with reasonable banking practices, Bank shall not in any way or manner be liable or responsible for: (a) the safekeeping of the Collateral; (b) any loss or damage thereto occurring or arising in any manner or fashion from any cause; (c) any diminution in the value thereof; or (d) any act or default of any carrier, warehouseman, bailee, forwarding agency, or other person whomsoever. All risk of loss, damage or destruction of the Collateral shall be borne by Borrower.

9.6 Remedies Cumulative. Bank's rights and remedies under this Agreement, the Loan Documents, and all other agreements shall be cumulative. Bank shall have all other rights and remedies not inconsistent herewith as provided under the Code, by law, or in equity. No exercise by Bank of one right or remedy shall be deemed an election, and no waiver by Bank of any Event of Default on Borrower's part shall be deemed a continuing waiver. No delay by Bank shall constitute a waiver, election, or acquiescence by it. No waiver by Bank shall be effective unless made in a written document signed on behalf of Bank and then shall be effective only in the specific instance and for the specific purpose for which it was given.

9.7 Demand; Protest. Borrower waives demand, protest, notice of protest, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension, or renewal of accounts, documents, instruments, chattel paper, and guarantees at any time held by Bank on which Borrower may in any way be liable.

10. NOTICES.

Unless otherwise provided in this Agreement, all notices or demands by any party relating to this Agreement or any other agreement entered into in connection herewith shall be in writing and (except for financial statements and other informational documents which may be sent by first-class mail, postage prepaid) shall be personally delivered or sent by a recognized overnight delivery service, certified mail, postage prepaid, return receipt requested, or by telefacsimile to Borrower or to Bank, as the case may be, at its addresses set forth below:

If to Borrower: Novatel Wireless, Inc.
9360 Towne Centre Drive, Suite 110
San Diego, CA 92121
Attn: Mr. Roger Hartman, Chief Financial Officer
FAX: (858) 784-0626

with a copy to:

Orrick, Herrington & Sutcliffe LLP
777 South Figueroa Street, Suite 3200
Los Angeles, CA 90017
Attn: Peter Leparulo

If to Bank: Venture Banking Group
Three Palo Alto Square
Palo Alto, CA 94306
Attn: Mr. Brad L. Smith
FAX: (650) 843-6969

The parties hereto may change the address at which they are to receive notices hereunder, by notice in writing in the foregoing manner given to the other. Failure to deliver a notice to Borrower's counsel shall not render ineffective any notice delivered to Borrower.

11. CHOICE OF LAW AND VENUE; JURY TRIAL WAIVER.

This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of California, without regard to principles of conflicts of law. Each of Borrower and Bank hereby submits to the exclusive jurisdiction of the state and Federal courts located in the County of Santa Clara, State of California. BORROWER AND BANK EACH HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF ANY OF THE LOAN DOCUMENTS OR ANY OF THE TRANSACTIONS CONTEMPLATED THEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS. EACH PARTY RECOGNIZES AND AGREES THAT THE FOREGOING WAIVER CONSTITUTES A MATERIAL INDUCEMENT FOR IT TO ENTER INTO THIS AGREEMENT. EACH PARTY REPRESENTS AND WARRANTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL.

12. GENERAL PROVISIONS.

12.1 Successors and Assigns. This Agreement shall bind and inure to the benefit of the respective successors and permitted assigns of each of the parties; provided, however, that neither this Agreement nor any rights hereunder may be assigned by Borrower without Bank's prior written consent, which consent may be granted or withheld in Bank's sole discretion. Bank shall have the right without the consent of or notice to Borrower to sell, transfer, negotiate, or grant participation in all or any part of, or any interest in, Bank's obligations, rights and benefits hereunder.

12.2 Indemnification. Borrower shall defend, indemnify and hold harmless Bank and its officers, employees, and agents against: (a) all obligations, demands, claims, and liabilities claimed or asserted by any other party in connection with the transactions contemplated by this Agreement; and (b) all losses or Bank Expenses in any way suffered, incurred, or paid by Bank as a result of or in any way arising out of transactions between Bank and Borrower under this Agreement or the other Loan Documents (including without limitation reasonable attorneys fees and expenses), except for losses caused by Bank's gross negligence or willful misconduct.

12.3 Time of Essence. Time is of the essence for the performance of all obligations set forth in this Agreement.

12.4 Severability of Provisions. Each provision of this Agreement shall be severable from every other provision of this Agreement for the purpose of determining the legal enforceability of any specific provision.

12.5 Amendments in Writing, Integration. This Agreement cannot be amended or terminated orally. All prior agreements, understandings, representations, warranties, and negotiations between the parties hereto with respect to the subject matter of this Agreement, if any, are merged into this Agreement and the Loan Documents.

12.6 Counterparts. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, when taken together, shall constitute but one and the same Agreement.

12.7 Survival. All covenants, representations and warranties made in this Agreement shall continue in full force and effect so long as any Obligations remain outstanding. The obligations of Borrower to indemnify Bank with respect to the expenses, damages, losses, costs and liabilities described in Section 12.2 shall survive until all applicable statute of limitations periods with respect to actions that may be brought against Bank have run.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first above written.

NOVATEL WIRELESS, INC.

By: /s/ R. HARTMAN

Title: 10/12/99

VENTURE BANKING GROUP, a division of
Cupertino National Bank

By: /s/ BRAD SMITH

Title: Vice President

EXHIBIT A

The Collateral shall consist of all right, title and interest of Borrower in and to the following:

(a) All goods and equipment now owned or hereafter acquired, including, without limitation, all machinery, fixtures, vehicles (including motor vehicles and trailers), and any interest in any of the foregoing, and all attachments, accessories, accessions, replacements, substitutions, additions, and improvements to any of the foregoing, wherever located;

(b) All inventory, now owned or hereafter acquired, including, without limitation, all merchandise, raw materials, parts, supplies, packing and shipping materials, work in process and finished products including such inventory as is temporarily out of Borrower's custody or possession or in transit and including any returns upon any accounts or other proceeds, including insurance proceeds, resulting from the sale or disposition of any of the foregoing and any documents of title representing any of the above, and Borrower's Books relating to any of the foregoing;

(c) All contract rights and general intangibles now owned or hereafter acquired, including, without limitation, goodwill, trademarks, servicemarks, trade styles, trade names, patents, patent applications, leases, license agreements, franchise agreements, blueprints, drawings, purchase orders, customer lists, route lists, infringements, claims, computer programs, computer discs, computer tapes, literature, reports, catalogs, design rights, income tax refunds, payments of insurance and rights to payment of any kind;

(d) All now existing and hereafter arising accounts, contract rights, royalties, license rights and all other forms of obligations owing to Borrower arising out of the sale or lease of goods, the licensing of technology or the rendering of services by Borrower, whether or not earned by performance, and any and all credit insurance, guaranties, and other security therefor, as well as all merchandise returned to or reclaimed by Borrower and Borrower's Books relating to any of the foregoing;

(e) All documents, cash, deposit accounts, securities, investment property, financial assets, securities entitlements, securities accounts, letters of credit, certificates of deposit, instruments and chattel paper now owned or hereafter acquired and Borrower's Books relating to the foregoing;

(f) All copyright rights, copyright applications, copyright registrations and like protections in each work of authorship and derivative work thereof, whether published or unpublished, now owned or hereafter acquired; all trade secret rights, including all rights to unpatented inventions, know-how, operating manuals, license rights and agreements and confidential information, now owned or hereafter acquired; all mask work or similar rights available for the protection of semiconductor chips, now owned or hereafter acquired; all claims for damages by way of any past, present and future infringement of any of the foregoing; and

Any and all claims, rights and interests in any of the above and all substitutions for, additions and accessions to and proceeds thereof; provided that, notwithstanding anything in the foregoing description to the contrary, the Collateral shall not include (i) Borrower's equipment and related computer programs and other related general intangibles to the extent the same are subject to a lease or financing arrangement which includes a valid and enforceable prohibition on further encumbrances ("Excluded Equipment"), (ii) additions, attachments, accessories and accessions to, substitutions, replacements and exchanges for, and products and proceeds (including insurance proceeds) of the Excluded Equipment, and (iii) Borrower's rights as licensee under license agreements, the encumbering of which constitutes an event of termination which may be asserted against Borrower; provided that such exclusion shall not apply to proceeds generated from or inventory sold pursuant to any such license agreement; provided, however, that "Collateral" shall include, (A) any general intangible or contract right which is an Account or a proceed of, or otherwise related to the enforcement or collection of, any Account or goods which are the subject of any Account, and (B) any and all proceeds of any general intangibles or contract rights which are otherwise excluded to the extent that the assignment or encumbrance of such proceeds is not so restricted, and (C) upon obtaining the consent of any such licensor, lessor, or other applicable party with respect to any such otherwise excluded general intangibles, contract rights and Equipment, such general intangibles, contract rights and Equipment as well as any and all proceeds thereof that might theretofore have been excluded from the term "Collateral."

EXHIBIT B

REVOLVING PROMISSORY NOTE

$2,500,000 Palo Alto, California
October 12, 1999

FOR VALUE RECEIVED, NOVATEL WIRELESS, INC. (the "Borrower"), promises to pay to the order of Venture Banking Group (the "Bank") the principal amount of Two Million Five Hundred Thousand Dollars ($2,500,000) or, if less, the aggregate amount of Advances (as defined in the Loan Agreement referred to below) made by Bank to Borrower pursuant to the Loan Agreement referred to below outstanding on the Revolving Maturity Date (as defined in the Loan Agreement referred to below). All unpaid amounts of principal and interest shall be due and payable in full on the Revolving Maturity Date.

Borrower also promises to pay interest on the unpaid principal amount hereof from the date hereof until paid at the rates and at the times which shall be determined in accordance with the provisions of the Loan Agreement. Notwithstanding any other limitations contained in this Note, Bank does not intend to charge and Borrower shall not be required to pay any interest or other fees or charges in excess of the maximum permitted by applicable law. Any payments in excess of such maximum shall be refunded to the Borrower or credited against principal.

All payments of principal and interest in respect of this Note shall be made in lawful money of the United States of America in same day funds at the office of Bank described in the Loan Agreement. Until notified of the transfer of this Note, Borrower shall be entitled to deem Bank or such person who has been so identified by the transferor in writing to the Borrower as the holder of this Note, as the owner and holder of this Note.

This Note is referred to in, and is entitled to the benefits of, the Loan and Security Agreement dated as of October 12, 1999 (the "Loan Agreement") between Borrower and Bank. The Loan Agreement, among other things, (i) provides for the making of Advances by Bank to Borrower from time to time in an aggregate amount not to exceed at any time outstanding the U.S. dollar amounts stated therein, and (ii) contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified.

The terms of this Note are subject to amendment only in the manner provided in the Loan Agreement.

No reference herein to the Loan Agreement and no provision of this Note or the Loan Agreement shall alter or impair the obligation of Borrower, which is absolute and unconditional, to pay the principal of and interest on this Note at the place, at the respective times, and in the currency herein prescribed.

Borrower promises to pay all costs and expenses, including reasonable attorneys' fees, incurred in the collection and enforcement of this Note. Borrower hereby consents to renewals and extensions of time at or after the maturity hereof, without notice, and hereby waives diligence, presentment, protest, demand and notice of every kind and, to the full extent permitted by law, the right to plead any statute of limitations as a defense to any demand hereunder.

This Note shall be governed by, and construed in accordance with, the laws of the State of California without giving effect to its choice of law doctrine.

IN WITNESS WHEREOF, Borrower has caused this Note to be executed and delivered by its duly authorized officer, as of the date and the place first above written.

NOVATEL WIRELESS, INC.

By: _____

Title: _____

EXHIBIT C

LOAN PAYMENT/ADVANCE TELEPHONE REQUEST FORM

DEADLINE FOR SAME DAY PROCESSING IS 3:00 P.M., Pacific Time

TO: Venture Banking Group DATE: _____

FAX #: 650-843-6969 TIME: _____

- ---

FROM: _____
CLIENT NAME (BORROWER)

REQUESTED BY: NOVATEL WIRELESS, INC. _____
AUTHORIZED SIGNER'S NAME

AUTHORIZED SIGNATURE: _____

PHONE NUMBER: _____

FROM ACCOUNT # _____ TO ACCOUNT # _____

REQUESTED TRANSACTION TYPE	REQUEST DOLLAR AMOUNT
	$_____
PRINCIPAL INCREASE (ADVANCE)	$_____
PRINCIPAL PAYMENT (ONLY)	$_____
INTEREST PAYMENT (ONLY)	$_____
PRINCIPAL AND INTEREST (PAYMENT)	$_____

OTHER INSTRUCTIONS:_____

_____

All representations and warranties of Borrower stated in the Loan and Security Agreement are true, correct and complete in all material respects as of the date of the telephone request for an Advance confirmed by this Advance Request Form; provided, however, that those representations and warranties expressly referring to another date shall be true, correct and complete in all material respects as of such date.

- ---

- ---
BANK USE ONLY

TELEPHONE REQUEST:
- ---

The following person is authorized to request the loan payment transfer/loan advance on the advance designated account and is known to me.

_____ _____
Authorized Requester Phone #

_____ _____
Received By (Bank) Phone #

_____
Authorized Signature (Bank)

- ---

EXHIBIT D

BORROWING BASE CERTIFICATE

- ---

Borrower: Novatel Wireless, Inc., Novatel Wireless Solutions, Inc., Novatel Wireless Technologies, Ltd.

Commitment Amount: $2,500,000

- ---

ACCOUNTS RECEIVABLE			
1.	Accounts Receivable Book Value as of ___		$_____
2.	Additions (please explain on reverse)		$_____
3.	TOTAL ACCOUNTS RECEIVABLE		$_____
ACCOUNTS RECEIVABLE DEDUCTIONS (without duplication)			
4.	Amounts over 90 days due	$_____	
5.	Balance of 25% over 90 day accounts	$_____	
6.	Concentration Limits	$_____	
7.	Foreign Accounts	$_____	
8.	Governmental Accounts	$_____	
9.	Contra Accounts	$_____	
10.	Demo Accounts	$_____	
11.	Intercompany/Employee Accounts	$_____	
12.	Other (please explain on reverse)	$_____	
13.	TOTAL ACCOUNTS RECEIVABLE DEDUCTIONS	$_____	
14.	Eligible Accounts (#3 minus #13)		$_____
15.	LOAN VALUE OF ACCOUNTS (70% of #14)		$_____
ELIGIBLE INVENTORY (Until January 31, 2000)			
16.	Inventory Book Value as of _____		$_____
	a. Raw materials		$_____
	b. Finished goods		$_____
17.	Loan Value of Inventory (40%) of #16, up to $1,000,000)		$_____
BALANCES			
18.	Maximum Loan Amount		$2,500,000
19.	Total Funds Available [Lesser of (#15 + #17) or #18]		$_____
20.	Present balance owing on Line of Credit		$_____
21.	Outstanding under Sublimits (Letters of Credit)		$_____
22.	RESERVE POSITION (#18 minus #19 and #20)		$_____

The undersigned represents and warrants that the foregoing is true, complete and correct, and that the information reflected in this Borrowing Base Certificate complies with the representations and warranties set forth in the Loan and Security Agreement between the undersigned and Venture Banking Group.

NOVATEL WIRELESS, INC.

By: _____
Authorized Signer

EXHIBIT E
COMPLIANCE CERTIFICATE

TO: VENTURE BANKING GROUP

FROM: NOVATEL WIRELESS, INC.

The undersigned authorized officer of Novatel Wireless, Inc. hereby certifies in his capacity as an officer of the Borrower that in accordance with the terms and conditions of the Loan and Security Agreement between Borrower and Bank (the "Agreement"), (i) Borrower is in complete compliance for the period ending _____ with all required covenants except as noted below and (ii) all representations and warranties of Borrower stated in the Agreement are true and correct in all material respects as of the date hereof. Attached herewith are the required documents supporting the above certification. The Officer further certifies that these are prepared in accordance with Generally Accepted Accounting Principles (GAAP) and are consistently applied from one period to the next except as explained in an accompanying letter or footnotes.

PLEASE INDICATE COMPLIANCE STATUS BY CIRCLING YES/NO UNDER "COMPLIES" COLUMN.

REPORTING COVENANT	REQUIRED	COMPLIES
Monthly consolidated financial statements	Monthly within 20 days	Yes No
Annual (CPA Audited)	FYE within 90 days	Yes No
10K and 10Q	(as applicable)	Yes No
A/R & A/P Agings, Borrowing Base Cert.	Monthly within 20 days (when borrowing)	Yes No
A/R Audit	Initial and Annual	Yes No
Quarterly consolidating financial statements	Quarterly within 20 days	Yes No

FINANCIAL COVENANT	REQUIRED	ACTUAL	COMPLIES
Maintain through January 31, 2000:			
Minimum Adjusted Net Worth (monthly)	$1,000,000	$_____	Yes No
Profitability/Losses (monthly)	<125% of projected cumulative monthly losses	$_____	Yes No
Maintain beginning March 31, 2000			
Minimum Net Worth (quarterly)	$10,000,000	$_____	Yes No
Maximum Total Liabilities to TNW (quarterly)	1.00:1.00	_____:1.00	Yes No
Minimum Quick Ratio (quarterly)	1.25:1.00	_____:1.00	Yes No

COMMENTS REGARDING EXCEPTIONS: See Attached.

Sincerely,

_____
SIGNATURE

_____
TITLE

_____
DATE

BANK USE ONLY

Received by: _____
AUTHORIZED SIGNER

Date: _____

Verified: _____
AUTHORIZED SIGNER

Date: _____

Compliance Status Yes No

SCHEDULE OF EXCEPTIONS

Permitted Indebtedness (Section 1.1)

See attached UCC search.

Permitted Investments (Section 1.1)

None.

Permitted Liens (Section 1.1)

See attached search.

Prior Names (Section 5.7)

None.

Litigation (Section 5.8)

None.

Environmental (Section 5.12)

None.

EXHIBIT F

INTELLECTUAL PROPERTY SECURITY AGREEMENT

INTELLECTUAL PROPERTY SECURITY AGREEMENT

This Intellectual Property Security Agreement is entered into as of October 12, 1999 by and between VENTURE BANKING GROUP, a division of Cupertino National Bank ("Bank") and NOVATEL WIRELESS, INC. ("Grantor").

RECITALS

A. Bank has agreed to make certain advances of money and to extend certain financial accommodation to Grantor (the "Loans") in the amounts and manner set forth in that certain Loan and Security Agreement by and between Bank and Grantor dated of even date herewith (as the same may be amended, modified or supplemented from time to time, the "Loan Agreement"; capitalized terms used herein are used as defined in the Loan Agreement). Bank is willing to make the Loans to Grantor, but only upon the condition, among others, that Grantor shall grant to Bank a security interest in certain Copyrights, Trademarks and Patents to secure the obligations of Grantor under the Loan Agreement.

B. Pursuant to the terms of the Loan Agreement, Grantor has granted to Bank a security interest in all of Grantor's right, title and interest, whether presently existing or hereafter acquired, in, to and under all of the Collateral.

NOW, THEREFORE, for good and valuable consideration, receipt of which is hereby acknowledged, and intending to be legally bound, as collateral security for the prompt and complete payment when due of its obligations under the Loan Agreement, Grantor hereby represents, warrants, covenants and agrees as follows:

AGREEMENT

To secure its obligations under the Loan Agreement and any other amounts owing to Bank from time to time, Grantor grants and pledges to Bank a security interest in all of Grantor's right, title and interest in, to and under its Intellectual Property Collateral (including without limitation those Copyrights, Patents and Trademarks listed on Schedules A, B and C hereto), and including without limitation all proceeds thereof (such as, by way of example but not by way of limitation, license royalties and proceeds of infringement suits), the right to sue for past, present and future infringements, all rights corresponding thereto throughout the world and all re-issues, divisions continuations, renewals, extensions and continuations-in-part thereof.

This security interest is granted in conjunction with the security interest granted to Bank under the Loan Agreement. The rights and remedies of Bank with respect to the security interest granted hereby are in addition to those set forth in the Loan Agreement and the other Loan Documents, and those which are now or hereafter available to Bank as a matter of law or equity. Each right, power and remedy of Bank provided for herein or in the Loan Agreement or any of the Loan Documents, or now or hereafter existing at law or in equity shall be cumulative and concurrent and shall be in addition to every right, power or remedy provided for herein and the exercise by Bank of any one or more of the rights, powers or remedies provided for in this Intellectual Property Security Agreement, the Loan Agreement or any of the other Loan Documents, or now or hereafter existing at law or in equity, shall not preclude the simultaneous or later exercise by any person, including Bank, of any or all other rights, powers or remedies.

IN WITNESS WHEREOF, the parties have cause this Intellectual Property Security Agreement to be duly executed by its officers thereunto duly authorized as of the first date written above.

GRANTOR:

Address of Grantor:

NOVATEL WIRELESS INC.

9360 Towne Centre Drive
San Diego, CA 92121

By: ----------

Attn: Mr. Roger Hartman

Title: ----------

BANK:

Address of Bank:

VENTURE BANKING GROUP, a division of
Cupertino National Bank

Three Palo Alto Square
Palo Alto, CA 94306

By: ----------

Attn: Mr. Brad Smith

Title: ----------

EXHIBIT A

Copyrights

Description	Registration/ Application Number	Registration/ Application Date
None		

EXHIBIT B

Patents

Description	Registration/ Application Number	Registration/ Application Date
Bus for Cellular Telephone	5,109,402	
Duplexing Antenna for Portable Radio	5,231,407	
Handheld Power Saving Technique	5,129,098	
ESN Secure Cellular Data Transmitter	5,337,345	
Controlled Output Amplifier & Power Detector Therefor	4,760,347	
R.F. Power Control Circuit	4,952,886	
R.F. Power Control Circuit (cont.-in-part)	5,003,270	
Power Detector Utilizing Bias Voltage Divider	5,043,672	
Factor 2 Wireline Interface	5,526,403	
Automatic Power Control for Burst Transmission	5,438,683	

EXHIBIT C

Trademarks

Description	Registration/ Application Number	Registration/ Application Date
MERLIN	75/742,650	07/01/99

EXHIBIT G

WARRANT TO PURCHASE STOCK

THE WARRANT EVIDENCED HEREBY, THE SHARES OF PREFERRED STOCK ISSUABLE HEREUNDER, AND THE SHARES OF COMMON STOCK ISSUABLE UPON THE CONVERSION OF SUCH SHARES OF PREFERRED STOCK HAVE BEEN AND WILL BE ISSUED WITHOUT REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE APPLICABLE SECURITIES LAWS OF ANY STATE. SUCH SECURITIES HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO DISTRIBUTION OR RESALE, AND SHALL NOT BE SOLD, TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS THE PROPOSED DISPOSITION IS THE SUBJECT OF A CURRENTLY EFFECTIVE REGISTRATION STATEMENT UNDER SAID ACT AND UNDER APPLICABLE STATE SECURITIES LAWS OR UNLESS THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL, IN FORM AND SUBSTANCE REASONABLY SATISFACTORY TO THE COMPANY, TO THE EFFECT THAT SUCH REGISTRATION IS NOT REQUIRED UNDER SAID ACT AND SUCH STATE SECURITIES LAWS IN CONNECTION WITH SUCH DISPOSITION.

NOVATEL WIRELESS, INC.

PREFERRED STOCK PURCHASE WARRANT

VOID AFTER OCTOBER 12, 2004

THIS STOCK PURCHASE WARRANT IS ISSUED TO

VENTURE BANKING GROUP, A DIVISION OF CUPERTINO NATIONAL BANK
3 PALO ALTO SQUARE
PALO ALTO, CA 94301

(hereinafter called the "initial registered holder" or the "registered holder," which term shall include its successors and assigns) by Novatel Wireless, Inc., a Delaware corporation (hereinafter referred to as the "Company"). Holder is entitled to purchase the number of fully paid and nonassessable shares of the Series C Preferred Stock (the "Shares") of the Company at the initial exercise price per Share (the "Warrant Price") all as set forth herein and as adjusted pursuant to this Warrant, subject to the provisions and upon the terms and conditions set forth of this Warrant. The Warrant shall be exercisable for the number of Shares equal to $150,000 divided by the Warrant Price. If the Company on or prior to January 31, 2000 shall close the sale of its Series C Preferred Stock pursuant to an offering in which the Company receives not less than Fifteen Million Dollars ($15,000,000) (such round being the "Series C Round"), the Warrant Price shall be equal to the weighted average of the price per share at which the Series C Preferred Stock is sold in the Series C Round and the price per share at which the Series B Preferred Stock was last sold in a bona fide venture capital round. If the Company does not close the Series C Round on or prior to January 31, 2000, the Shares shall be Series B Preferred Stock and the Warrant Price shall be the price per share at which the Series B Preferred Stock was last sold in a bona fide venture capital round. The holder of this Warrant is entitled to certain of the benefits conferred by that certain Registration Rights Agreement, as amended, dated as of August 21, 1996, as amended (the "Registration Rights Agreement"), a copy of which is on file at the office of the Company at the address specified below. This Warrant may

be transferred by the registered holder only in accordance with the provisions of Sections 1.4 and 5 hereof. A copy of the Registration Rights Agreement will be furnished to any subsequent registered holder hereof upon written request. The Registration Rights Agreement contains an undertaking by the Company under certain circumstances to effect registration and qualification under federal and state securities laws of, or to take other action with respect to, the shares of Common Stock, par value $.001, of the Company ("Common Stock") issuable on conversion of the Shares issued upon exercise of this Warrant.

Section 1: The Warrant.

1.1 This Warrant may be exercised in full or in part from time to time. As promptly as practicable after surrender of this Warrant and receipt of payment of the Warrant Price, the Company shall issue and deliver to the registered holder a certificate or certificates for the Shares, as applicable, in certificates of such denominations and in such names as the registered holder may specify, together with any other stock, securities or property to which such holder may be entitled to receive pursuant to Sections 1.5(A), 1.5(B) or 1.5(C) hereof. In the case of the purchase of less than all the shares purchasable under this Warrant, the Company shall cancel this Warrant upon the surrender hereof and shall execute and deliver a substitute Warrant of like tenor for the balance of the shares purchasable hereunder. This Warrant shall expire at 8:00 P.M. (Eastern Standard Time) on October 12, 2004 and shall be void thereafter. In lieu of exercising this Warrant by cash payment, 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 minus the aggregate Warrant Price of such Shares by (b) the fair market value of one Share. 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 determine fair market value in its reasonable good faith judgment.

1.2 During the period within which the rights represented by this Warrant may be exercised, the Company shall at all times have authorized and reserved for the purpose of issue upon exercise of the rights evidenced hereby, a sufficient number of shares of its Shares and Common Stock issuable upon the conversion of such Shares to provide for the exercise of such rights. Upon surrender for exercise, this Warrant shall be canceled and shall not be reissued; provided, however, that upon the partial exercise hereof a substitute Warrant representing the rights to subscribe for and purchase any such unexercised portion hereof shall be issued.

1.3 Subject to compliance with applicable securities laws, this Warrant may be subdivided into one or more Stock Purchase Warrants entitling the registered holder to purchase Shares in multiples of one or more whole shares, upon surrender of this Warrant by the registered holder for such purpose at the office of the Company.

1.4 The Company shall maintain at its office (or at such other office or agency of the Company as it may from time to time designate in writing to the registered holder hereof), a register containing the names and addresses of the holders of all Stock Purchase Warrants. The

registered holder of such a Warrant shall be the person in whose name such Warrant is originally issued and registered, unless a subsequent holder shall have presented to the Company such Warrant, duly assigned to him, for inspection and a written notice of his acquisition of such Warrant and designating in writing the address of such holder, in which case such subsequent holder of the Warrant shall become a subsequent registered holder. Any registered holder of this Warrant may change his address as shown on such register by written notice to the Company requesting such change. Any written notice required or permitted to be given to the registered holder of this Warrant shall be mailed, by registered or certified mail, to such registered holder at his address as shown on such register.

1.5 The rights of the registered holder shall be subject to the following terms and conditions:

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

(B) Adjustment for Reclassification, Exchange, or Substitution. In the event that at any time or from time to time after the date hereof, the Shares issuable upon the exercise of this Warrant 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 above, or a merger, consolidation, or sale of assets provided for below), then and in each such event the registered holder of this Warrant shall have the right thereafter to exercise this Warrant for the kind and amount of shares of stock and other securities and property receivable upon such reorganization, reclassification, or other change, by holders of the number of Shares which such Warrant might have been exercisable for immediately prior to such reorganization, reclassification, or change, all subject to further adjustment as provided herein.

(C) Adjustment for Merger, Consolidation or Sale of Assets. In the event that at any time or from time to time after the date hereof, the Company shall sell all or substantially all of its assets or merge or consolidate with or into another entity, this Warrant shall thereafter be exercisable for the kind and amount of shares of stock or other securities or property to which a holder of the number of Shares deliverable upon exercise of this Warrant 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 in this Section with respect to the rights and interest thereafter of the registered holders of the Stock Purchase Warrants, to the end that the provisions set forth in this Section (including provisions with respect to changes in and other adjustments of the

Warrant 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 exercise of this Warrant.

(D) No Impairment. The Company shall not, by amendment of its Certificate of Incorporation or By-Laws 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 Company but shall at all times in good faith assist in the carrying out of all the provisions of this Section and in the taking of all such action as may be necessary or appropriate on order to protect the rights of the registered holder of this Warrant against impairment.

(E) Notice of Adjustment of the Warrant Price or Number of Shares. Upon the occurrence of each adjustment, readjustment or other change relating to the Warrant Price or in the number of Shares into which this Warrant is exercisable, then, and in each such case, the Company at its expense shall give written notice thereof, by first class mail, postage prepaid, addressed to the registered holder at the address of such registered holder as shown on the books of the Company, which notice shall state the Warrant Price resulting from such adjustment and the increase or decrease in the number of Shares (or other denominations of securities) purchasable at the Warrant Price upon the exercise of this Warrant setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based.

(F) Notice. In case at any time: (1) the Company shall pay any dividend or make any distribution (other than regular cash dividends from earnings or earned surplus paid at an established rate) to the holders of its Shares; (2) the Company shall offer for subscription pro rata to the holders of its Shares any additional shares of stock of any class or other rights; (3) there shall be any capital reorganization or reclassification of the capital stock of the Company, or consolidation or merger of the Company with or sale of all or substantially all of its assets to another corporation; or (4) there shall be a voluntary or involuntary dissolution, liquidation or winding up of the Company; then, in any one or more of such cases, the Company shall give written notice, by first class mail, postage prepaid, addressed to the registered holder at the address of such registered holder as shown on the books of the Company of the date on which (a) the books of the Company shall close or a record date shall be fixed for determining the shareholders entitled to such dividend, distribution or subscription rights, or (b) such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation or winding up shall take place, as the case may be. Such notice shall also provide reasonable details of the proposed transaction and specify the date as of which the holders of Shares of record shall participate in such dividend, distribution or subscription rights, or shall be entitled to exchange their Shares for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation or winding up, as the case may be. Such written notice shall be given at least 20 days prior to the action in question and not less than 20 days prior to the record date or the date on which the Company's transfer books are closed in respect thereto.

(G) Voting Rights. This Warrant shall not entitle the registered holder to any voting rights or any other rights as a stockholder of the Company but upon presentation of this Warrant with the subscription form annexed duly executed and 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 and paid for.

(H) 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.

Section 2: Covenant of the Company. All Shares and shares of Common Stock issuable upon conversion of the Shares which may be issued upon the exercise of the rights represented by this Warrant, shall, upon issuance, be duly authorized, validly issued, fully paid and non-assessable and free from all taxes, liens and charges with respect to the issue thereof.

Section 3: Fractional Shares. No fractional shares or scrip representing fractional shares shall be issued upon exercise of this Warrant. If, upon exercise of this Warrant as an entirety, the registered holder would, except for the provisions of this Section 3, be entitled to receive a fractional Share, then the Company shall pay in cash to such registered holder an amount equal to such fractional share multiplied by the fair market value of one such Share (as reasonably determined by the Board of Directors of the Company) on the date of such exercise.

Section 4: Substitution. In case this Warrant shall be mutilated, lost, stolen or destroyed, the Company will issue a new Warrant of like tenor and denomination and deliver the same (a) in exchange and substitution for and upon surrender and cancellation of any mutilated Warrant, or (b) in lieu of any Warrant lost, stolen or destroyed, upon receipt of evidence satisfactory to the Company of the loss, theft, or destruction of such Warrant (including a reasonably detailed affidavit with respect to the circumstances of any loss, theft or destruction), and of indemnity (or, in the case of the initial holder or any other institutional holder, an indemnity agreement) satisfactory to the Company.

Section 5: Transfer Restrictions. This Warrant, the Shares or the shares of Common Stock issuable upon conversion of the Shares shall not be sold, transferred, pledged or hypothecated unless the proposed disposition is the subject of a currently effective registration statement under the Securities Act of 1933, as amended (the "Securities Act"), or unless the Company has received an opinion of counsel reasonably satisfactory in form and scope to the Company that such registration is not required except that such restrictions shall not apply to any transfer of this Warrant, the Shares or the shares of Common Stock issuable upon conversion of the Shares: (i) to a partner or other affiliate of the registered holder, including any entity of which the registered holder or a related entity is a General Partner; (ii) by gift or bequest or through inheritance to, or for the benefit of, any member or members of the registered holder's immediate family; (iii) by a registered holder to a trust (a) in respect of which the registered holder serves as trustee, provided that the trust instrument governing such trust shall provide that the registered holder, as trustee, shall retain sole and exclusive control over the voting and disposition of such Warrant until the termination of this Warrant or (b) for the benefit solely of

any member or members of the registered holder's immediate family; and (iv) pursuant to any underwritten public offering of Common Stock pursuant to an effective registration statement under the Securities Act.

Section 6: Remedies. The Company stipulates that the remedies at law of the registered holder of this Warrant 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.

Section 7: Taxes. The Company shall pay any taxes or other charges that may be imposed in respect of the issuance and delivery of the Warrant or any of the Shares or other property upon exercise hereof.

Section 8: Governing Law. This Warrant shall be deemed a contract made under the laws of the State of Delaware and its provisions and the rights and obligations of the parties hereunder shall be governed by, and construed and enforced in accordance with, the substantive laws of the State of Delaware, without regard to its principles of conflicts of laws.

Section 9: Miscellaneous. This Warrant and any term hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought.

****

IN WITNESS WHEREOF, the Company has caused this Preferred Stock Purchase Warrant to be signed by its Chief Executive Officer thereunto duly authorized and its corporate seal to be hereunto affixed and attested by its Secretary this ___ day of _____, 1999.

ATTEST:	NOVATEL WIRELESS, INC.
By: ----------	By: ----------
Name: Roger Hartman	Name: Robert Corey
Its: Secretary	Its: Chief Executive Officer

SUBSCRIPTION FORM

The undersigned, the registered holder of the within Preferred Stock Purchase Warrant, hereby irrevocably elects to exercise the purchase right represented by such Warrant for, and to purchase thereunder, _____ shares of Preferred Stock of Novatel Wireless, Inc., and herewith makes payment of $_____ therefor and requests that the certificates representing such shares be issued in the name of and delivered to:

_____

_____

_____

and if such shares shall not include all of the shares issuable under this Warrant, that a new Warrant of like tenor and date be delivered to the undersigned for the shares not issued.

Dated:

Signature

FORM OF ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto _____ whose address is_____ _____ _____, the within Preferred Stock Purchase Warrant with respect to _____ shares purchasable thereby, and does hereby irrevocably constitute and appoint _____ attorney to transfer such Warrant on the books of the within named corporation with full power of substitution in the premises.

Dated:

In the presence of:

- ---

Signature

EXHIBIT H

SUBORDINATION AGREEMENT

SUBORDINATION AGREEMENT

This Subordination Agreement is made as of October 12, 1999, by and between ARGO GLOBAL CAPITAL, INC., for itself and on behalf of the Investors, as defined below ("Creditor") and VENTURE BANKING GROUP, a division of Cupertino National Bank ("Bank").

Recitals

A. Novatel Wireless, Inc. ("Borrower") has requested and/or obtained certain loans or other credit accommodations from Bank to Borrower which are or may be from time to time secured by assets and property of Borrower.

B. Creditor is the Agent for certain Investors pursuant to a Security Agreement and Stock Pledge dated as of June 15, 1999 between Creditor and Borrower pursuant to which Borrower granted Agent, as agent for the Investors, a security interest in substantially all of Borrower's property. Such security interest secures payment and other obligations owed by Borrower to Agent and Investors under certain Convertible Subordinated Debentures (the "Debentures") issued pursuant to a certain Unit Purchase Agreement (the "NWI Purchase Agreement") and under a certain Guaranty (the "Guaranty") by Borrower for the benefit of Working Ventures Canadian Fund Inc.("Working Ventures").

C. Bank and Borrower are parties to a Loan and Security Agreement of even date, as amended from time to time (the "Loan Agreement"). Borrower's obligations under the Loan Agreement are guaranteed pursuant to Unconditional Guarantees by each of Borrower's wholly-owned subsidiaries.

D. In order to induce Bank to extend credit to Borrower and, at any time or from time to time, at Bank's option, to make such further loans, extensions of credit, or other accommodations to or for the account of Borrower, or to purchase or extend credit upon any instrument or writing in respect of which Borrower may be liable in any capacity, or to grant such renewals or extension of any such loan, extension of credit, purchase, or other accommodation as Bank may deem advisable, Creditor, for itself and on behalf of Investors, is willing to subordinate: (i) all of Borrower's indebtedness and obligations to Investors and Creditor, whether presently existing or arising in the future (the "Subordinated Debt"), up to a principal amount of $5,000,000 of Borrower's indebtedness and obligations to Bank; and (ii) all of the security interests of Creditor and Investors, if any, to all of Bank's security interests in the Borrower's property.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. Creditor subordinates to Bank any security interest or lien that Creditor may have in any property of Borrower, Novatel Wireless Solutions, Inc., or Novatel Wireless Technology Ltd. (such entities are sometimes referred to herein as a "Loan Party" or collectively, the "Loan Parties"). Notwithstanding the respective dates of attachment or perfection of the security interest of Creditor and the security interest of Bank, the security interest of Bank in the Collateral, as defined in the Loan Agreement and each other security agreement between Bank and each Loan Party, shall at all times be prior to the security interest of Creditor.

2. All Subordinated Debt is subordinated in right of payment to all obligations of the Loan Parties to Bank now existing or hereafter arising in a principal amount not to exceed $5,000,000, together with all costs of collecting such obligations (including attorneys' fees), including, without limitation, all interest accruing after the commencement by or against any Loan Party of any bankruptcy, reorganization or similar proceeding, and all obligations under the Loan Agreement (the "Senior Debt").

3. Except as otherwise permitted in this Section 3, Creditor will not demand or receive from a Loan Party (and no Loan Party will pay to Creditor) all or any part of the Subordinated Debt, by way of payment, prepayment, setoff, lawsuit or otherwise, nor will Creditor exercise any remedy with respect to the Collateral, nor will Creditor commence, or cause to commence, prosecute or participate in any administrative, legal or equitable action against a Loan Party, for so long as any portion of the Senior Debt remains outstanding. Subject to the next sentence, Creditor shall not demand or receive from a Loan Party any principal payment under the Subordinated Debt until the Revolving Maturity Date, as defined in the Loan Agreement. Upon (i) the occurrence and continuation of an Event of Default relating to the Senior Debt and (ii) written notice thereof to Creditor from Bank

(a "Payment Blockage Notice"), Creditor may not exercise any remedy nor receive any payment with respect to the Subordinated Debt for any period (a "Payment Blockage Period") commencing on the date of the Payment Blockage Notice and ending on the earliest to occur of the following events: (i) such Event of Default has been cured or has been waived by Bank in writing; (ii) 180 days have passed from the date of such Payment Blockage Notice, unless at the expiration of such period the Senior Debt shall have been accelerated or any judicial proceeding shall be pending that stays or prevents the acceleration of the Senior Debt or the exercise of Bank's remedies in connection therewith, or (iii) such Senior Debt has been discharged or paid in full and Bank's commitment, if any, with respect thereto has been terminated, immediately after which Creditor may exercise such remedies and Borrower may make all required payments in respect of the Subordinated Debt. Notwithstanding the foregoing, Creditor shall be entitled to receive each regularly scheduled payment of interest that constitutes Subordinated Debt, provided that an Event of Default (as defined in the Loan Agreement) has not occurred or would not exist after giving effect to such payment. Notwithstanding any other provisions hereof, Creditor and Investors may at any time (i) convert the Debentures into Borrower's equity securities in accordance with the terms of the Debentures and the NWI Purchase Agreement, and (ii) receive dividends and other distributions made to Borrower's shareholders in accordance with Borrower's Certificate of Incorporation, as amended from time to time, to the extent such dividends and distributions are permitted under the Loan Agreement.

4. Creditor shall promptly deliver to Bank in the form received (except for endorsement or assignment by Creditor where required by Bank) for application to the Senior Debt any payment, distribution, security or proceeds received by Creditor with respect to the Subordinated Debt other than in accordance with this Agreement.

5. In the event of a Loan Party's insolvency, reorganization or any case or proceeding under any bankruptcy or insolvency law or laws relating to the relief of debtors, these provisions shall remain in full force and effect, and Bank's claims against such Loan Party and the estate of such Loan Party shall be paid in full before any payment is made to Creditor.

6. No amendment of the documents evidencing or relating to the Subordinated Debt shall directly or indirectly modify the provisions of this Agreement in any manner which might terminate or impair the subordination of the Subordinated Debt or the subordination of the security interest or lien that Creditor may have in any property of any Loan Party. By way of example, such instruments shall not be amended to (i) increase the rate of interest with respect to the Subordinated Debt, or (ii) accelerate the payment of the principal or interest or any other portion of the Subordinated Debt.

7. This Agreement shall remain effective for so long as any Loan Party owes any amounts to Bank under the Loan Agreement or otherwise. Subject to Section 5, upon satisfaction of all Obligations, as defined in the Loan Agreement, or the conversion of all the Subordinated Debt into equity securities of Borrower, this Agreement shall terminate. Notwithstanding the foregoing, if at any time after payment in full of the Senior Debt any payments of the Senior Debt must be disgorged by Bank for any reason (including, without limitation, the bankruptcy of Borrower), this Agreement and the relative rights and priorities set forth herein shall be reinstated as to all such disgorged payments as though such payments had not been made and Creditor shall immediately pay over to Bank all payments received with respect to the Subordinated Debt to the extent that such payments would have been prohibited hereunder. At any time and from time to time, without notice to Creditor, Bank may take such actions with respect to the Senior Debt as Bank, in its sole discretion, may deem appropriate, including, without limitation, terminating advances to Borrower, increasing the principal amount, extending the time of payment, increasing applicable interest rates, renewing, compromising or otherwise amending the terms of any documents affecting the Senior Debt and any collateral securing the Senior Debt, and enforcing or failing to enforce any rights against any Loan Party or any other person. No such action or inaction shall impair or otherwise affect Bank's rights hereunder. Creditor waives the benefits, if any, of Civil Code Sections 2809, 2810, 2819, 2845, 2847, 2848, 2849, 2850, 2899 and 3433.

8. This Agreement shall bind any successors or assignees of Creditor and shall benefit any successors or assigns of Bank. This Agreement is solely for the benefit of Creditor and Bank and not for the benefit of any Loan Party or any other party. Creditor further agrees that if Borrower is in the process of refinancing a portion of the Senior Debt with a new lender, and if Bank makes a request of Creditor, Creditor shall agree to enter into a new subordination agreement with the new lender on substantially the terms and conditions of this Agreement.

9. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

10. This Agreement shall be governed by and construed in accordance with the laws of the State of California, without giving effect to conflicts of laws principles. Creditor and Bank submit to the exclusive jurisdiction of the state and federal courts located in Santa Clara County, California. CREDITOR AND BANK WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREIN.

11. This Agreement represents the entire agreement with respect to the subject matter hereof, and supersedes all prior negotiations, agreements and commitments. Creditor is not relying on any representations by Bank or any Loan Party in entering into this Agreement, and Creditor has kept and will continue to keep itself fully apprised of the financial and other condition of Borrower. This Agreement may be amended only by written instrument signed by Creditor and Bank.

12. In the event of any legal action to enforce the rights of a party under this Agreement, the party prevailing in such action shall be entitled, in addition to such other relief as may be granted, all reasonable costs and expenses, including reasonable attorneys' fees, incurred in such action.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

"Creditor"
ARGO GLOBAL CAPITAL INC.

By:

Title:

"Bank"
VENTURE BANKING GROUP, A DIVISION OF
CUPERTINO NATIONAL BANK

By:

Title:

The undersigned approves of the terms of this Agreement.

"Borrower"

NOVATEL WIRELESS, INC.

By:

Title:

NOVATEL WIRELESS TECHNOLOGY, LTD.

By:

Title:

NOVATEL WIRELESS SOLUTIONS, INC.

By:

Title:

CORPORATE RESOLUTIONS TO BORROW

- ---

BORROWER: Novatel Wireless, Inc.
- ---

I, the undersigned Secretary or Assistant Secretary of Novatel Wireless, Inc. (the "Corporation"), HEREBY CERTIFY that the Corporation is organized and existing under and by virtue of the laws of the State of Delaware.

I FURTHER CERTIFY that attached hereto as Attachments 1 and 2 are true and complete copies of the Certificate of Incorporation, as amended, and the Bylaws of the Corporation, each of which is in full force and effect on the date hereof.

I FURTHER CERTIFY that at a meeting of the Directors of the Corporation, duly called and held, at which a quorum was present and voting (or by other duly authorized corporate action in lieu of a meeting), the following resolutions were adopted.

BE IT RESOLVED, that any one (1) of the following named officers, employees, or agents of this Corporation, whose actual signatures are shown below:

NAMES	POSITION	ACTUAL SIGNATURES
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

acting for an on behalf of this Corporation and as its act and deed be, and they hereby are, authorized and empowered:

BORROW MONEY. To borrow from time to time from Venture Banking Group, a division of Cupertino National Bank ("Bank"), on such terms as may be agreed upon between the officers, employees, or agents and Bank, such sum or sums of money as in their judgment should be borrowed, without limitation, including such sums as are specified in that certain Loan and Security Agreement dated as of October 12, 1999 (the "Loan Agreement").

EXECUTE LOAN DOCUMENTS. To execute and deliver to Bank the Loan Agreement and any other agreement entered into between Borrower and Bank in connection with the Loan Agreement, all as amended or extended from time to time (collectively, with the Loan Agreement, the "Loan Documents"), and also to execute and deliver to Bank one or more renewals, extensions, modifications, refinancings, consolidations, or substitutions for the Loan Documents, or any portion thereof.

GRANT SECURITY; ISSUE WARRANTS. To grant a security interest to Bank in the Collateral described in the Loan Documents, which security interest shall secure all of the Corporation's Obligations, as described in the Loan Documents, and to issue to Bank a warrant to purchase the Corporation's capital stock.

NEGOTIATE ITEMS. To draw, endorse, and discount with Bank all drafts, trade acceptances, promissory notes, or other evidences of indebtedness payable to or belonging to the Corporation or in which the Corporation may have an interest, and either to receive cash for the same or to cause such proceeds to be credited to the account of the Corporation with Bank, or to cause such other disposition of the proceeds derived therefrom as they may deem advisable.

LETTERS OF CREDIT. To execute letters of credit applications and other related documents pertaining to Bank's issuance of letters of credit.

FURTHER ACTS. In the case of lines of credit, to designate additional or alternate individuals as being authorized to request advances thereunder, and in all cases, to do and perform such other acts and things, to pay any and all fees and costs, and to execute and deliver such other documents and agreements as they may in their discretion deem reasonably necessary or proper in order to carry into effect the provisions of these Resolutions.

BE IT FURTHER RESOLVED, that any and all acts authorized pursuant to these resolutions and performed prior to the passage of these resolutions are hereby ratified and approved, that these Resolutions shall remain in full force and effect and Bank

may rely on these Resolutions until written notice of their revocation shall have been delivered to and received by Bank. Any such notice shall not affect any of the Corporation's agreements or commitments in effect at the time notice is given.

I FURTHER CERTIFY that the officers, employees, and agents named above are duly elected, appointed, or employed by or for the Corporation, as the case may be, and occupy the positions set forth opposite their respective names; that the foregoing Resolutions now stand of record on the books of the Corporation; and that the Resolutions are in full force and effect and have not been modified or revoked in any manner whatsoever.

IN WITNESS WHEREOF, I have hereunto set my hand on _____, 1999 and attest that the signatures set opposite the names listed above are their genuine signatures.

CERTIFIED AND ATTESTED BY:

X_____

- ---

AGREEMENT TO PROVIDE INSURANCE

TO: VENTURE BANKING GROUP
Three Palo Alto Square
Palo Alto, CA 94306

Date: October 12, 1999

Borrower: Novatel Wireless, Inc.

In consideration of a loan in the amount of $2,500,000, secured by all tangible personal property including inventory and equipment.

I/We agree to obtain adequate insurance coverage to remain in force during the term of the loan.

I/We also agree to advise the below named agent to add Venture Banking Group, a division of Cupertino National Bank as lender's loss payable on the new or existing insurance policy, and to furnish Bank at above address with a copy of said policy/endorsements and any subsequent renewal policies.

I/We understand that the policy must contain:

1. Fire and extended coverage in an amount sufficient to cover:

(a) The amount of the loan, OR

(b) All existing encumbrances, whichever is greater,

But not in excess of the replacement value of the improvements on the real property.

2. Lender's "Loss Payable" Endorsement Form 438 BFU in favor of Venture Banking Group, a division of Cupertino National Bank, or any other form acceptable to Bank.

INSURANCE INFORMATION

Insurance Co./Agent Telephone No.:

Agent's Address:

Signature of Obligor: _____

Signature of Obligor: _____

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- ---

FOR BANK USE ONLY

INSURANCE VERIFICATION: Date: _____

Person Spoken to: _____

Policy Number: _____

Effective From: _____ To: _____

Verified by: _____

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FIRST AMENDMENT TO LOAN AND SECURITY AGREEMENT

This First Amendment to Loan and Security Agreement, is entered into as of November 9, 1999, (the "Amendment"), by and between Venture Banking Group, a division of Cupertino National Bank ("Bank") and Novatel Wireless, Inc. ("Borrower"). Capitalized terms used herein without definition shall have the same meanings as is given to them in the Agreement (defined below).

RECITALS

A. The Borrower and the Bank have entered into that certain Loan and Security Agreement dated as of October 12, 1999, (as amended or modified from time to time, the "Agreement") pursuant to which the Bank has agreed to extend and make available to the Borrower certain advances of money.

B. Borrower has disclosed to Bank a breach of Section 6.11, entitled Net Worth as of fiscal month ending October 31, 1999, the Borrower desires that the Bank amend the Loan Agreement upon the terms and conditions more fully set forth herein.

C. Subject to the representations and warranties of the Borrower herein and upon the terms and conditions set forth in this Amendment, the Bank is willing to amend the Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing Recitals and intending to be legally bound, the parties hereto agree as follows:

SECTION 1. THE BORROWER'S REPRESENTATIONS AND WARRANTIES. The Borrower represents and warrants that:

(a) the execution, delivery, and performance of the Loan Documents are within Borrower's powers, have been duly authorized, and are not in conflict with nor constitute a breach of any provision contained in Borrower's Amended and Restated Articles of Incorporation or Bylaws, nor will they constitute an event of default under any material agreement to which Borrower is a party or by which Borrower is bound. Borrower is not in default under any agreement to which it is a party or by which it is bound, which default could have a Material Adverse Effect; and

(b) immediately before and immediately after giving effect to this Amendment, no event shall have occurred and be continuing which constitutes an Event of Default that has not be disclosed to Bank.

SECTION 2. AMENDMENTS TO THE LOAN AND SECURITY AGREEMENT.

2.1 Bank hereby waives Borrower's breach of Section 6.11, entitled Net Worth as of fiscal month ending October 31, 1999. Any further breach of this covenant is not waived.

Except as waived hereby, the Agreement, as the same may have previously been waived, shall remain unaltered and in full force and effect. This Amendment shall not be a waiver of any existing default or breach of a covenant unless specified herein.

SECTION 3. LIMITATION. The amendments and waivers set forth in this Amendment shall be limited precisely as written and shall not be deemed (a) to be a modification of any other term or condition of the Agreement or of any other instrument or agreement referred to therein or to prejudice any right or remedy which the Bank may now have or may have in the future under or in connection with the Agreement or any instrument or agreement referred to therein; or (b) to be a consent to any future amendment or waiver to any instrument or agreement the execution and delivery of which is consented to

hereby, or to any waiver of any of the provisions thereof. Except as expressly amended hereby, the Agreement shall continue in full force and effect.

SECTION 4. EFFECTIVENESS. This Amendment shall become effective upon:

(1) The execution and delivery of a copy hereof by Borrower to the Bank;

(2) The execution and delivery of a certificate of the Secretary of Borrower with respect to incumbency and resolutions authorizing the execution and delivery of this Amendment;

(3) The payment of the amendment fee in the amount of One Thousand Dollars ($1,000) by Borrower to the Bank; and

(4) Bank shall have received, in form and substance satisfactory to Bank, such other documents, and completion of such other matters, as Bank may reasonably deem necessary or appropriate.

SECTION 5. RELEASE AND WAIVER. BORROWER HEREBY REPRESENTS AND WARRANTS TO THE BANK THAT IT HAS NO KNOWLEDGE OF ANY FACTS THAT WOULD SUPPORT A CLAIM, COUNTERCLAIM, DEFENSE OR RIGHT OF SET-OFF, AND HEREBY RELEASES BANK FROM ALL LIABILITY ARISING UNDER OR WITH RESPECT TO AND WAIVES ANY AND ALL CLAIMS, COUNTERCLAIMS, DEFENSES AND RIGHTS OF SET-OFF, AT LAW OR IN EQUITY, THAT BORROWER MAY HAVE AGAINST BANK EXISTING AS OF THE DATE OF THIS AMENDMENT ARISING UNDER OR RELATED TO THIS AMENDMENT, THE AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR TO THE LOANS CONTEMPLATED HEREBY OR THEREBY OR TO ANY ACT OR OMISSION TO ACT BY THE BANK WITH RESPECT HERETO OR THERETO.

SECTION 6. COUNTERPARTS. This Amendment may be signed in any number of counterparts, and by different parties hereto in separate counterparts, with the same effect as if the signatures to each such counterpart were upon a single instrument. All counterparts shall be deemed an original of this Amendment.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the date first written above.

BORROWER — NOVATEL WIRELESS, INC.

By: [SIGNATURE ILLEGIBLE]

Title: VP/CFO

BANK — VENTURE BANKING GROUP, a division of Cupertino National Bank

By: [SIGNATURE ILLEGIBLE]

Title: Vice President

SECOND AMENDMENT TO
LOAN AND SECURITY AGREEMENT

This Second Amendment to Loan and Security Agreement is entered into as of July 13, 2000, (the "Amendment"), by and between Venture Banking Group, a division of Cupertino National Bank ("Bank") and Novatel Wireless, Inc. ("Borrower"). Capitalized terms used herein without definition shall have the same meanings as is given to them in the Agreement (defined below).

RECITALS

A. The Borrower and the Bank have entered into that certain Loan and Security Agreement dated as of October 12, 1999, (as amended or modified from time to time, the "Agreement") pursuant to which the Bank has agreed to extend and make available to the Borrower certain advances of money.

B. Borrower has disclosed to Bank (i) a breach of Section 6.10, entitled Profitability as of fiscal year ending December 31, 1999 and (ii) a breach of Sections 6.9, 6.10, 6.11, and 6.12 entitled Quick Ratio, Profitability, Net Worth, and Total Liabilities-Tangible Net Worth, respectively, as of fiscal quarter ending March 31, 2000. The Borrower desires that the Bank amend the Loan Agreement upon the terms and conditions more fully set forth herein.

C. Subject to the representations and warranties of the Borrower herein and upon the terms and conditions set forth in this Amendment, the Bank is willing to amend the Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing Recitals and intending to be legally bound, the parties hereto agree as follows:

SECTION 1. THE BORROWER'S REPRESENTATIONS AND WARRANTIES. The Borrower represents and warrants that:

(a) the execution, delivery, and performance of the Loan Documents are within Borrower's powers, have been duly authorized, and are not in conflict with nor constitute a breach of any provision contained in Borrower's Amended and Restated Articles of Incorporation or Bylaws, nor will they constitute an event of default under any material agreement to which Borrower is a party or by which Borrower is bound. Borrower is not in default under any agreement to which it is a party or by which it is bound, which default could have a Material Adverse Effect; and

(b) Immediately before and immediately after giving effect to this Amendment, no event shall have occurred and be continuing which constitutes an Event of Default that has not be disclosed to Bank.

SECTION 2. AMENDMENTS TO THE LOAN AND SECURITY AGREEMENT.

2.1 Bank hereby waives (i) Borrower's breach of Section 6.10, entitled Profitability as of fiscal year ending December 31, 1999 and (ii) Borrower's breach of Sections 6.9, 6.10, 6.11, and 6.12 entitled Quick Ratio, Profitability, Net Worth, and Total Liabilities-Tangible Net Worth, respectively, as of fiscal quarter ending March 31, 2000. Any further breach of this covenant is not waived.

Except as waived hereby, the Agreement, as the same may have previously been waived, shall remain unaltered and in full force and effect. This Amendment shall not be a waiver of any existing default or breach of a covenant unless specified herein.

SECTION 3. LIMITATION. The amendments and waivers set forth in this Amendment shall be limited precisely as written and shall not be deemed (a) to be a modification of any other term or condition

of the Agreement or of any other instrument or agreement referred to therein or to prejudice any right or remedy which the Bank may now have or may have in the future under or in connection with the Agreement or any instrument or agreement referred to therein; or (b) to be a consent to any future amendment or waiver to any instrument or agreement the execution and delivery of which is consented to hereby, or to any waiver of any of the provisions thereof. Except as expressly amended hereby, the Agreement shall continue in full force and effect.

SECTION 4. EFFECTIVENESS. This Amendment shall become effective upon:

(1) The execution and delivery of a copy hereof by Borrower to the Bank; and

(2) Bank shall have received, in form and substance satisfactory to Bank, such other documents, and completion of such other matters, as Bank may reasonably deem necessary or appropriate.

SECTION 5. RELEASE AND WAIVER. BORROWER HEREBY REPRESENTS AND WARRANTS TO THE BANK THAT IT HAS NO KNOWLEDGE OF ANY FACTS THAT WOULD SUPPORT A CLAIM, COUNTERCLAIM, DEFENSE OR RIGHT OF SET-OFF, AND HEREBY RELEASES BANK FROM ALL LIABILITY ARISING UNDER OR WITH RESPECT TO AND WAIVES ANY AND ALL CLAIMS, COUNTERCLAIMS, DEFENSES AND RIGHTS OF SET-OFF, AT LAW OR IN EQUITY, THAT BORROWER MAY HAVE AGAINST BANK EXISTING AS OF THE DATE OF THIS AMENDMENT ARISING UNDER OR RELATED TO THIS AMENDMENT, THE AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR TO THE LOANS CONTEMPLATED HEREBY OR THEREBY OR TO ANY ACT OR OMISSION TO ACT BY THE BANK WITH RESPECT HERETO OR THERETO.

SECTION 6. COUNTERPARTS. This Amendment may be signed in any number of counterparts, and by different parties hereto in separate counterparts, with the same effect as if the signatures to each such counterpart were upon a single instrument. All counterparts shall be deemed an original of this Amendment.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the date first written above.

BORROWER	NOVATEL WIRELESS, INC.
	BY: /s/ [Signature Illegible]
	Title: VP & CFO
BANK	VENTURE BANKING GROUP, a division of Cupertino National Bank
	By: /s/
	Title: Vice President

EXHIBIT 10.8

SUBLEASE AGREEMENT

This SUBLEASE AGREEMENT ("Sublease") is made and entered into as of July 7, 2000 ("Effective Date") by and between SICOR INC. (formerly known as GENSIA SICOR INC.), a Delaware corporation ("Sublandlord") and NOVATEL WIRELESS, INC., a Delaware corporation ("Subtenant").

WHEREAS, GENA PROPERTY COMPANY, a California general partnership, as landlord ("Landlord"), and Sublandlord, as tenant, are parties to a certain Lease Agreement dated as of December 21, 1993 ("Master Lease") whereby Landlord leased to Sublandlord the building ("Building") located at 9360 Towne Centre Drive, San Diego, CA 92121 ("Master Premises"), as more particularly described in the Master Lease, upon the terms and conditions contained therein. All capitalized terms used herein shall have the same meaning ascribed to them in the Master Lease unless otherwise defined herein. A copy of those portions of the Master Lease which are applicable to this Sublease is attached hereto as Exhibit "A" and made a part hereof. Subtenant shall not be required to comply with any provision of the Master Lease, as the same is in effect between Landlord and Sublandlord, which is not included in the attached Exhibit "A." Hereinafter, the term "Master Lease" shall refer to only those portions of the Master Lease which are intended to be applicable to this Sublease, as attached hereto as Exhibit "A," subject to any further exclusions or modifications thereto as are expressly set forth in this Sublease. Sublandlord is vested with the leasehold estate described in the Master Lease.

WHEREAS, Sublandlord and Subtenant are desirous of entering into a sublease of that portion of the Master Premises so indicated on the demising plan annexed hereto as Exhibit "B" and made a part hereof on the terms and conditions hereafter set forth. Subtenant currently occupies approximately 6,636 rentable square feet of premises in the Building ("Existing Space") pursuant to that certain Sublease Agreement between Subtenant and Sublandlord dated as of May 17, 1999 ("Original Sublease Agreement"). Subtenant desires to expand into approximately 13,358 rentable square feet of adjacent space ("Expansion Space"), as more particularly described in Exhibit "C" attached hereto. The Existing Space and the Expansion Space shall collectively be referred to herein as the "Sublease Premises" and are depicted on Exhibit "B" attached hereto. The parties intend to terminate the Original Sublease Agreement and enter into this new Sublease as to the entire Sublease Premises.

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

1. Demise. Sublandlord hereby subleases and demises to Subtenant and Subtenant hereby hires and subleases from Sublandlord the Sublease Premises consisting of approximately 19,994 rentable square feet ("RSF") of office space located on the first floor of 9360 Towne Centre Drive and commonly known as Suites 110, 120 and 150, upon and subject to the terms, covenants and conditions hereinafter set forth. The parties stipulate that the square footage of the Sublease Premises shall be as specified above.

2. Sublease Term.

(a) Sublease Term. The term of this Sublease ("Term") shall commence on February 7, 2000 ("Sublease Commencement Date") and end, unless sooner terminated as provided herein, on February 6, 2005 ("Sublease Expiration Date").

3. Use. The Sublease Premises shall be used and occupied by Subtenant solely for office use and corporate headquarters for Subtenant's business which shall be limited to communications products, devices and uses ancillary thereto, in compliance with the Master Lease and for no other purpose. In no event may Subtenant use the Sublease Premises for retail, manufacturing or fabrication use.

4. Subrental.

(a) Base Rental. Beginning with the Sublease Commencement Date and thereafter during the Term of this Sublease and ending on the Sublease Expiration Date, Subtenant shall pay to Sublandlord monthly installments of base rent ("Base Rental") with respect to the Sublease Premises as follows:

PERIOD	BASE RENTAL/SQ. FT.(PER MONTH) (APPROXIMATELY)	RSF OF PREMISES	BASE RENTAL (PER MONTH)
Year 1	$2.15	19,994	$42,987.10
Year 2	$2.21	19,994	$44,186.74
Year 3	$2.28	19,994	$45,586.32
Year 4	$2.35	19,994	$46,985.90
Year 5	$2.42	19,994	$48,385.48

The first monthly installment of Base Rental shall be paid by Subtenant upon the execution of this Sublease. Base Rental and additional rent shall hereinafter be collectively referred to as "Rent."

(b) Prorations. If the Sublease Commencement Date is not the first (1st) day of a month, or if the Sublease Expiration Date is not the last day of a month, a prorated installment of monthly Base Rental based on a thirty (30) day month shall be paid for the fractional month during which the Term commenced or terminated.

(c) Additional Rent. Beginning with the Sublease Commencement Date and continuing to the Sublease Expiration Date, Base Rental shall include Normal Operating Expenses for the Sublease Premises. The term "Normal Operating Expenses" shall mean the full cost of all operating expenses applicable to the Sublease Premises (including Building maintenance, common area expenses, insurance premiums for casualty insurance maintained by Sublandlord with respect to the Building (but excluding any insurance coverages for Subtenant's

personal property), security and janitorial services provided by Sublandlord, real estate taxes, and utilities (natural gas, water, and electricity) which are allocable to Subtenant's normal and customary use of the Sublease Premises in accordance with this Sublease. Notwithstanding the foregoing, Subtenant shall pay to Sublandlord as additional rent for this subletting the cost of all additional expenses, costs and charges which are not Normal Operating Expenses (i.e., expenses which result from usage which is not normal and customary), based on the amount of Subtenant's excess usage, each as determined by Sublandlord in its reasonable discretion. Such amounts payable by Subtenant shall be calculated based on costs and expenses attributed to the Building in which the Sublease Premises are located and the proportion of Subtenant's occupancy thereof under this Sublease or, in the case of excess usage, based on the amount of Subtenant's excess usage.

(d) Payment of Rent. Except as otherwise specifically provided in this Sublease, Rent shall be payable in lawful money without demand, and without offset, counterclaim, or setoff in monthly installments, in advance, on the first day of each and every month during the Term of this Sublease. All of said Rent is to be paid to Sublandlord at its office at the address set forth in Section 13 herein, or at such other place or to such agent and at such place as Sublandlord may designate by notice to Subtenant. Any additional rent payable on account of items which are not payable monthly by Subtenant to Sublandlord under this Sublease is to be paid to Sublandlord as and when such items are payable by Sublandlord to third parties or to Landlord under the Master Lease unless a different time for payment is elsewhere stated herein. To the extent practicable in each such instance, Sublandlord shall provide Subtenant with copies of any statements or invoices received by Sublandlord from Landlord pursuant to the terms of the Master Lease.

(e) Late Charge. Subtenant shall pay to Sublandlord an administrative charge at an annual interest rate equal to the Prime Rate (as stated under the column "Money Rates" in the Wall Street Journal) plus three percent (3%) ("Interest Rate") on all amounts of Rent payable hereunder which are not paid within three (3) business days of the date on which such payment is due, such charge to accrue from the date upon which such amount was due until paid.

(f) Rental Abatement. Provided there is no Event of Default by Subtenant under this Sublease, Subtenant shall receive a credit ("T/I Credit") against the payment of Base Rental for certain tenant improvements described in the attached Exhibit "D" ("Tenant Improvements") in an amount not to exceed One Hundred Thirty Nine Thousand Nine Hundred Fifty-Eight and 00/100 Dollars ($139,958.00). The T/I Credit shall be given in the form of an abatement of Base Rental in months two (2) through four (4) and a portion of month five (5) of the Term. Subtenant shall have no right to remove any such Tenant Improvements upon the expiration of this Sublease and the grant of the T/I Credit does not constitute Sublandlord's consent to the Tenant Improvements proposed to be installed in the Sublease Premises by Subtenant, such approval to be governed by Section 19 of this Sublease. If Subtenant fails to construct the Tenant Improvements, in addition to all other remedies available to Sublandlord at law or in equity, Sublandlord may recover from Subtenant the T/I Credit. Upon any Event of Default by Subtenant hereunder, Sublandlord may recover from Subtenant the unamortized portion of the T/I Credit, amortized over the Term of this Sublease.

5. Security Deposit. Concurrently with the execution of this Sublease, Subtenant shall deposit with Sublandlord the sum of Forty-Two Thousand Nine Hundred Eighty-Seven and 10/100 Dollars ($42,987.10) ("Deposit"), which shall be held by Sublandlord as security for the full and faithful performance by Subtenant of its covenants and obligations under this Sublease. Notwithstanding the foregoing, Sublandlord shall retain, and Subtenant shall receive a credit against the Deposit in the amount of, Twenty-Seven Thousand Eight Hundred Seventy-One and 00/100 Dollars ($27,871.00) which represents the security deposit held by Sublandlord under the Original Sublease Agreement. The Deposit is not an advance Rent deposit, an advance payment of any other kind, or a measure of Sublandlord's damages in case of Subtenant's default. If Subtenant defaults in the full and timely performance of any or all of Subtenant's covenants and obligations set forth in this Sublease, then Sublandlord may, from time to time, without waiving any other remedy available to Sublandlord, use the Deposit, or any portion of it, to the extent necessary to cure or remedy the default or to compensate Sublandlord for all or a part of the damages sustained by Sublandlord resulting from Subtenant's default. Subtenant shall pay to Sublandlord within five (5) business days following written demand, the amount so applied in order to restore the Deposit to its original amount, and Subtenant's failure to pay such amount within such five (5) business day period shall constitute a default under this Sublease. Sublandlord shall endeavor to provide notice of any application of the Deposit substantially contemporaneously with such application. If Subtenant is not in default with respect to the covenants and obligations set forth in this Sublease at the expiration or earlier termination of the Sublease, Sublandlord shall return the Deposit to Subtenant after the expiration or earlier termination of this Sublease in accordance with the provisions of California Civil Code Section 1950.7. Sublandlord's obligations with respect to the Deposit are those of a debtor and not a trustee. Sublandlord shall not be required to maintain the Deposit separate and apart from Sublandlord's general or other funds and Sublandlord may commingle the Deposit with any of Sublandlord's general or other funds. Subtenant shall not be entitled to interest on the Deposit.

6. Signage. Subtenant shall have no right to maintain Subtenant identification signs in any location in, on, or about the Sublease Premises other than:

(a) a listing consisting of two (2) lines in the lobby directory for the Building;

(b) two (2) identification signs, one (1) located at each entrance to the Sublease Premises;

(c) a pro rata portion (such pro rata allocation to be determined by Sublandlord) of the Building monument sign located on the corner of Executive Drive and Towne Centre Drive; and

(d) an identification sign located on the glass door at the suite entrance located at the south end of the Building.

The size, appearance and location of such signage shall be subject to Sublandlord's prior approval and, where Sublandlord deems it appropriate, the prior approval of Landlord. Except for the directory listing described in Section 6(a) above (which shall be installed at Sublandlord's cost and expense), the cost of such signs, including the installation, maintenance and removal thereof, shall be at Subtenant's sole cost and expense. If Subtenant fails to maintain its signage,

or if Subtenant fails to remove the same upon the expiration or earlier termination of this Sublease and repair any damage caused by such removal, Sublandlord may, upon five (5) days notice, do so at Subtenant's expense and Subtenant shall reimburse Sublandlord for all actual costs incurred by Sublandlord to effect such removal.

7. Parking. At no additional rent or charge, Subtenant shall have the right, during the Term of this Sublease, to use on a non-reserved basis parking spaces in the parking facilities of the Buildings in number equal to 3.2 spaces per 1,000 square feet of rentable area of the Sublease Premises, except for five (5) of such spaces, which shall be located in the underground parking garage and marked as reserved for Subtenant's use, the location of which shall be designated by Sublandlord. All such parking privileges shall be subject to the terms and conditions set forth in the Master Lease.

8. Incorporation of Terms of Master Lease.

(a) This Sublease is subject and subordinate to the Master Lease. Subject to the modifications set forth in this Sublease, the terms of the Master Lease are incorporated herein by reference, and shall, as between Sublandlord and Subtenant (as if they were "Landlord" and "Tenant," respectively, under the Master Lease) constitute the terns of this Sublease except to the extent that they are inapplicable to, inconsistent with, or modified by, the terms of this Sublease. Notwithstanding the foregoing, to the extent provisions of the Master Lease are unique and personal to Sublandlord's interest in the Building pursuant to the Master Lease or are indicated on the attached Exhibit "A" as intentionally omitted from the Master Lease, Subtenant shall not be required to comply with such provisions. Provisions which are personal and unique to Sublandlord under the Master Lease include, but are not limited to, Paragraphs 17, 18 and 19 of the Master Lease. In the event of any inconsistencies between the terms and provisions of the Master Lease and the terms and provisions of this Sublease, the terms and provisions of this Sublease shall govern. Subtenant acknowledges that it has reviewed the Master Lease and is familiar with the terms and conditions thereof.

(b) For the purposes of incorporation herein, the terms of the Master Lease are subject to the following additional modifications:

(i) In all provisions of the Master Lease (under the terms thereof and without regard to modifications thereof for purposes of incorporation into this Sublease) requiring the approval or consent of Landlord, Subtenant shall be required to obtain the approval or consent of both Sublandlord and Landlord.

(ii) In all provisions of the Master Lease requiring Tenant to submit, exhibit to, supply or provide Landlord with evidence, certificates, or any other matter or thing, including, without limitation, the provisions of Sections 10(c) and 10(f) thereof, Subtenant shall be required to submit, exhibit to, supply or provide, as the case may be, the same to both Landlord and Sublandlord. In any such instance, Sublandlord shall determine if such evidence, certificate or other matter or thing shall be satisfactory.

(iii) In the event of any taking by eminent domain or casualty to the Sublease Premises such that Subtenant is deprived of the use and occupancy of greater

than fifty percent (50%) of the Sublease Premises for a period in excess of sixty (60) days, Subtenant and Sublandlord shall each have the right to terminate this Sublease upon not less than thirty (30) days written notice to the other. In the event of any such taking by eminent domain or casualty such that Subtenant is deprived of fifty percent (50%) or less of the use and occupancy of the Sublease Premises, or in the event Subtenant elects to continue occupancy of the remaining portion of the Sublease Premises after the occurrence of a taking or casualty giving Subtenant a right to terminate this Sublease, the Rent shall be proportionally reduced for the portion of the Term during which Subtenant is prevented from using and occupying the damaged or taken portion of the Sublease Premises. Sublandlord shall have no obligation to restore or rebuild any portion of the Sublease Premises after any destruction or taking by eminent domain, and Subtenant shall have no rights to any portion of the award in any eminent domain proceeding affecting the Sublease Premises.

(iv) Subtenant shall not be required to comply with the following provisions of the Master Lease:

(A) Paragraph 3(c), without, however, limiting in any way the provisions of Section 15 of this Sublease.

(B) Paragraph 3(e).

(C) Paragraph 7, other than Subtenant's responsibility for costs of curing any Environmental Violations arising from the acts or omissions of Subtenant and costs of Subtenant complying with all Legal Requirements attributable to its use and occupancy of the Sublease Premises, including fines, penalties and interest arising from Subtenant's violation thereof.

(D) Paragraph 8.

(E) Paragraph 9(b) to the extent it applies to Escrow Payments imposed on Sublandlord as a result of a Monetary Event of Default by Sublandlord under the Master Lease which is not the result of a default by Subtenant under this Sublease, however Subtenant shall, in all events, be responsible for Escrow Charges comprising real estate taxes on the Sublease Premises imposed as a result of alterations to the Sublease Premises made by, or for, Subtenant during the Term.

(F) Paragraph 10(b) to the extent any such Easement Agreements materially adversely interfere with Subtenant's permitted use of the Sublease Premises as described in Section 3 above or with Subtenant's right to occupy the Sublease Premises pursuant to the terms and provisions of this Sublease.

(G) Paragraph 10(i).

(H) Paragraph 12(a), to the extent it requires Subtenant to (i) repair or maintain Building Systems Equipment, it being expressly acknowledged

by Subtenant hereunder that it has no right to repair or maintain any Building Systems Equipment, (ii) maintain the Adjoining Property, or (iii) make Alterations.

(I) Paragraph 12(b).

(J) Paragraph 13.

(K) Paragraph 15(a), to the extent it requires indemnity from Subtenant for the acts or omissions of any Person other than Subtenant, its agents, employees, representatives, parents, affiliates or subsidiaries, or any Person acting on behalf of, or with the permission of, or at the sufferance of, Subtenant and only in connection with events on, about or arising from the Sublease Premises.

(L) Paragraph 16(a)(i), (ii) and (iv), except to the extent referred to in Section 8(c) below.

(M) Paragraph 22(a)(iv)-(vii), (x), (xi), (xiii), (xv), (xvi) and (xvii).

(N) Paragraph 23 (g).

(O) Paragraph 28.

(P) Paragraph 29.

(Q) Paragraph 30.

(R) Paragraph 31.

(S) Paragraph 33.

(c) During the Term, Subtenant shall not be required to maintain casualty insurance policies and coverages with respect to the Sublease Premises and Subtenant shall be named as an additional insured under such policies maintained by Sublandlord (to the extent of Subtenant's interest in the Sublease Premises), evidence of such coverage to be in the form of a certificate of insurance provided by Sublandlord to Subtenant; provided, however, such policies and coverages maintained by Sublandlord with respect to the Building and the Sublease Premises shall not include coverage for Subtenant's personal property and Subtenant, at its sole cost and expense, shall maintain such policies and coverages with respect to its personal property as it may elect. During the Term, Subtenant shall maintain a policy of comprehensive general liability insurance with respect to its occupancy of, and activities on, the Sublease Premises and related common areas, which coverage shall be subject to any required waivers of subrogation as are described under Paragraph 16 of the Master Lease and shall have a minimum policy limit of $4,000,000 and shall otherwise meet the requirements of the Master Lease for such insurance coverage. All such policies shall name Sublandlord, Landlord and any other party required to be so named under the Master Lease as additional insureds thereunder and shall be with carriers reasonably acceptable to Sublandlord and, in all events, in accordance with the requirements of

the Master Lease except as otherwise provided hereinabove. In the event Subtenant elects to carry its own policies of casualty insurance with respect to the Sublease Premises, all such policies shall name Sublandlord as an additional insured thereunder. Sublandlord and Subtenant each hereby waive all rights of subrogation with respect to claims covered by the property insurance carried respectively by Sublandlord and Subtenant pursuant to the terms of this Sublease.

(d) Sublandlord and Subtenant acknowledge that this Sublease is of short duration in relation to the term of the Master Lease and, as a result, the parties do not intend that Subtenant shall be required to comply with any obligations or requirements under the Master Lease (except those which are specifically referenced as an obligation of Subtenant under this Sublease) which are of a character or nature as is reasonably determined to be inconsistent with the scope and Term of occupancy of the Sublease Premises by Subtenant under this Sublease. In the event of a dispute regarding Subtenant's obligation to comply with any such obligations or requirements of the Master Lease, the determination of the applicability of such obligations or requirements shall be made by Sublandlord and Subtenant in good faith with reference to current statutory and case law in California interpreting the relative obligations of a landlord and tenant in circumstances similar to the Sublease with respect to the nature of the obligation for which compliance is sought. In the event Sublandlord and Subtenant are unable to reasonably agree on the scope of responsibility of such obligation for which compliance is sought under the Master Lease, each party shall refer the matter to its most senior executive who shall jointly attempt to resolve such issue not later than five (5) business days after such reference. In the event such reference is unsuccessful, each party may exercise its rights and remedies under law with respect to a final determination of such dispute.

9. Subtenant's Obligations. Subtenant covenants and agrees that all obligations of Sublandlord under the Master Lease shall be done or performed by Subtenant with respect to the Sublease Premises, except as otherwise provided by this Sublease, and Subtenant's obligations shall run to Sublandlord and Landlord as Sublandlord may determine to be appropriate or be required by the respective interests of Sublandlord and Landlord. Subtenant agrees to indemnify Sublandlord, and hold it harmless, from and against any and all claims, damages, losses, expenses and liabilities (including reasonable attorneys' fees) incurred as a result of the non-performance, non-observance or non-payment of any of Sublandlord's obligations under the Master Lease which, as a result of this Sublease, became an obligation of Subtenant. If Subtenant makes any payment to Sublandlord pursuant to this indemnity, Subtenant shall be subrogated to the rights of Sublandlord concerning said payment. Subtenant shall not do, nor permit to be done, any act or thing which is, or with notice or the passage of time would be, a default under this Sublease or the Master Lease.

10. Sublandlord's Obligations. Sublandlord covenants and agrees that all obligations of Sublandlord under the Master Lease, other than those which are to be done or performed by Subtenant, with respect to the Sublease Premises shall be done or performed by Sublandlord. Sublandlord agrees that Subtenant shall be entitled to receive all services and repairs to be provided by Landlord to Sublandlord under the Master Lease. Subtenant shall look solely to Landlord for all such services and shall not, under any circumstances, seek or require Sublandlord to perform any of such services, nor shall Subtenant make any claim upon Sublandlord for any damages which may arise by reason of Landlord's default under the Master

Lease; provided, however, Sublandlord shall provide all necessary assistance and cooperation to Subtenant (at no material cost or liability to Sublandlord) to enforce Sublandlord's rights under the Master Lease to compel performance by Landlord with respect to such services or repairs to which Subtenant is entitled. Any condition resulting from a default by Landlord shall not constitute as between Sublandlord and Subtenant an eviction, actual or constructive, of Subtenant and no such default shall excuse Subtenant from the performance or observance of any of its obligations to be performed or observed under this Sublease, or entitle Subtenant to receive any reduction in or abatement of the Rent provided for in this Sublease unless, and to the extent, Sublandlord is excused from performance, or entitled to a reduction or abatement of its rental obligations to Landlord under the Master Lease also. In furtherance of the foregoing, Subtenant does hereby waive any cause of action and any right to bring any action against Sublandlord by reason of any act or omission of Landlord under the Master Lease, other than an act or omission by Sublandlord or Sublandlord's negligence. Sublandlord covenants and agrees with Subtenant that Sublandlord will pay all fixed rent and additional rent payable by Sublandlord pursuant to the Master Lease to the extent that failure to perform the same would adversely affect Subtenant's use or occupancy of the Sublease Premises. Sublandlord shall extend all reasonable cooperation to Subtenant (at no material cost or liability to Sublandlord) to enable Subtenant to receive the benefits under this Sublease, as the same are dependent upon performance under the Master Lease.

11. Default by Subtenant. In the event Subtenant shall be in default of any covenant of, or shall fail to honor any obligation under, this Sublease, Sublandlord shall have available to it against Subtenant all of the remedies available (a) to Landlord under the Master Lease in the event of a similar default on the part of Sublandlord thereunder or (b) at law.

12. Quiet Enjoyment. So long as Subtenant pays all of the Rent due hereunder and performs all of Subtenant's other obligations hereunder, Sublandlord shall do nothing to affect Subtenant's right to peaceably and quietly have, hold and enjoy the Sublease Premises.

13. Notices. Anything contained in any provision of this Sublease to the contrary notwithstanding, Subtenant agrees, with respect to the Sublease Premises, to comply with and remedy any default in this Sublease or the Master Lease which is Subtenant's obligation to cure, within the period allowed to Sublandlord under the Master Lease, even if such time period is shorter than the period otherwise allowed therein due to the fact that notice of default from Sublandlord to Subtenant is given after the corresponding notice of default from Landlord to Sublandlord. Sublandlord agrees to forward to Subtenant, promptly upon receipt thereof by Sublandlord, a copy of each notice of default received by Sublandlord in its capacity as Tenant under the Master Lease. Subtenant agrees to forward to Sublandlord, promptly upon receipt thereof, copies of any notices received by Subtenant from Landlord or from any governmental authorities. All notices, demands and requests shall be in writing and shall be sent either by hand delivery or by a nationally recognized overnight courier service (e.g., Federal Express), in either case return receipt requested, to the address of the appropriate party. Notices, demands and requests so sent shall be deemed given when the same are received. Notices to Sublandlord shall be sent to the attention of:

SICOR Inc.
19 Hughes
Irvine, CA 92618
Attn: Chief Financial Officer

with a copy to:

Pillsbury Madison & Sutro LLP
101 W. Broadway, Suite 1800
San Diego, California 92101
Attn: Eric A. Kremer, Esq.

Notices to Subtenant shall be sent to the attention of:

Novatel Wireless, Inc.
9360 Towne Centre Drive, Suite 110
San Diego, CA 92121
Attn: Chief Financial Officer

With a copy to:

Orrick, Herrington & Sutcliffe LLP
777 South Figueroa Street
Los Angeles, CA 90017
Attn: Peter Leparulo, Esq.

14. Broker. Sublandlord and Subtenant represent and warrant to each other that no brokers other than Burnham Real Estate Services, on behalf of Sublandlord, and IPC Commercial Real Estate, on behalf of Subtenant, were involved in connection with the negotiation or consummation of this Sublease. Each party agrees to indemnify the other, and hold it harmless, from and against any and all claims, damages, losses, expenses and liabilities (including reasonable attorneys' fees) incurred by said party as a result of a breach of this representation and warranty by the other party. Subtenant acknowledges that Sublandlord shall pay one commission to Burnham Real Estate Services pursuant to its separate agreement with such broker, and such broker shall then provide the portion thereof which has been agreed with the above-identified Subtenant broker. Sublandlord shall have no liability for payment of any additional amounts to Subtenant's broker.

15. Condition of Premises.

(a) Commencement. Subtenant acknowledges (i) that it is subleasing the Sublease Premises "as-is" in an unfurnished condition, other than existing office cubicles (as confirmed to Subtenant's satisfaction not later than the Sublease Commencement Date), (ii) that Sublandlord is not making any representation or warranty concerning the condition of the Sublease Premises, and (iii) that Sublandlord is not obligated to perform any work to prepare the Sublease Premises for Subtenant's occupancy other than to deliver the Expansion Space in broom-clean condition upon the mutual execution of this Sublease. Subtenant acknowledges that, other than as set forth in the plans and specifications (true and correct copies of which

Subtenant hereby represents and warrants have been provided to Sublandlord) which are hereby expressly approved, it is not authorized to make or do any alterations or improvements in or to the Sublease Premises without Sublandlord's prior written consent, which consent may not be unreasonably withheld and which may impose additional requirements applicable to the construction and completion of such alterations or improvements in addition to requiring Subtenant's compliance with requirements of the Master Lease. Sublandlord shall not be deemed to be unreasonable in withholding its consent to any alteration or improvement which does not conform with the use requirements under this Sublease or which is materially different from alterations or improvements customarily seen in first-class office space.

(b) Vacation. Subtenant further acknowledges that it must deliver the Sublease Premises to Sublandlord on the Sublease Expiration Date in the condition substantially the same as that on the Sublease Commencement Date, reasonable wear and tear excepted. Subtenant shall also remedy any hazardous substance contamination which is the result of the act or omission of Subtenant, its agents, employees, contractors, invitees or licensees, by promptly remediating or removing such contamination in its entirety.

(c) Inspection Rights. In addition to all other rights under the provisions of the Master Lease incorporated into this Sublease, Sublandlord expressly reserves the right to conduct the inspections and testing in the Sublease Premises during the Term as described in Paragraph 10 of the Master Lease. During the Term of the Sublease, Subtenant shall deliver to Sublandlord, upon Sublandlord's request therefor, copies of all notices, filings and permits delivered to, or received from, regulatory and governmental entities having jurisdiction over Subtenant's operations on the Sublease Premises with respect to the use, storage or disposal of Hazardous Substances and a current inventory of all Hazardous Substances used and/or stored on the Sublease Premises. Upon reasonable prior notice in each instance, Sublandlord may enter the Sublease Premises during ordinary business hours to show the space to actual or prospective lenders or purchasers at any time during the Term and, as to actual or prospective tenants or users, at any time during the last six (6) months of the Term. Except in the case of an emergency, Subtenant may elect to have an employee of Subtenant present during any such inspection for the purpose of minimizing the disclosure by Subtenant of confidential or proprietary products being developed or manufactured by Subtenant.

(d) Occupancy of Existing Space. Notwithstanding any provision of this Sublease to the contrary, for purposes of this Sublease, Subtenant confirms and acknowledges that Subtenant is in occupancy of, and has been in occupancy of, the Existing Space as of the Sublease Commencement Date pursuant to the Original Sublease Agreement. Accordingly, Sublandlord makes no representation or warranty as to the condition of the Existing Space. For purposes of Section 15(b), on the Sublease Expiration Date, Subtenant shall be required to return the Existing Space to Sublandlord in the condition substantially the same as that on the "Sublease Commencement Date" as defined in the Original Sublease Agreement.

16. Notice to Landlord. Section 21(b) of the Master Lease requires Sublandlord to provide written notice to Landlord and Lender regarding this Sublease. Sublandlord shall provide such notice following the date of full execution of this Sublease. If Sublandlord receives any objection from Landlord to this Sublease within sixty (60) days of providing such notice, Sublandlord shall notify Subtenant thereof and Sublandlord shall use reasonable best efforts to

remove such objection. If such objection cannot be removed within said 60-day period and the continuation of this Sublease would place Sublandlord in material breach of the Master Lease, as determined by Sublandlord in its sole discretion, this Sublease may be terminated by either party hereto upon notice to the other, and upon such termination neither party hereto shall have any further rights against or obligations to the other party hereto, other than Subtenant's obligation to leave the Sublease Premises in the same condition as that existing on the Sublease Commencement Date.

17. Termination of the Lease. If for any reason the term of the Master Lease shall terminate prior to the Sublease Expiration Date, this Sublease shall automatically be terminated and Sublandlord shall not be liable to Subtenant by reason thereof unless said termination shall have been caused by the default of Sublandlord under the Master Lease, and said Sublandlord default was not as a result of a Subtenant default hereunder.

18. Assignment and Subletting.

(a) Independent of and in addition to any provisions of the Master Lease, including without limitation the obligation to obtain Landlord's consent to any assignment, it is understood and agreed that Subtenant shall have no right to sublet the Sublease Premises or any portion thereof or any right or privilege appurtenant thereto; provided, however, that Subtenant shall have the right to assign this Sublease or any interest therein, and to suffer or permit any other person (other than agents, servants or associates of the Subtenant) to occupy or use the Sublease Premises, only upon the prior written consent of Sublandlord and Landlord, which consent shall not be unreasonably withheld. Any assignment by Subtenant without Sublandlord's prior written consent shall be void and shall, at the option of Sublandlord, terminate this Sublease.

(b) Subtenant shall advise Sublandlord by notice of (i) Subtenant's intent to assign this Sublease, (ii) the name of the proposed assignee and evidence reasonably satisfactory to Sublandlord that such proposed assignee is comparable in reputation, stature and financial condition to tenants then leasing comparable space in comparable buildings, and (iii) the terms of the proposed assignment. Sublandlord shall, within twenty (20) days of receipt of such notice, and any additional information requested by Landlord concerning the proposed assignee's financial responsibility, elect one of the following:

(i) Consent to such proposed assignment;

(ii) Refuse such consent, which refusal shall be on reasonable grounds; or

(iii) Elect to terminate this Sublease.

(c) In the event that Sublandlord shall consent to an assignment under the provisions of this Section 18, Subtenant shall pay Sublandlord's reasonable processing costs and reasonable attorneys' fees incurred in giving such consent (not to exceed $2,500 in any one instance). Notwithstanding any permitted assignment, Subtenant shall at all times remain directly, primarily and fully responsible and liable for all payments owed by Subtenant under the Sublease and for compliance with all obligations under the terms, provisions and covenants of

the Sublease. If for any proposed assignment or sublease, Subtenant receives Rent or other consideration, either initially or over the term of the assignment or sublease, in excess of the Rent required by this Sublease, after a deduction for the following: (a) any brokerage commission paid by Subtenant in connection therewith and (b) any reasonable attorneys' fees in connection with preparing and negotiating an assignment or sublease document ("Profit"), Subtenant shall pay to Sublandlord as additional Rent, fifty percent (50%) of such Profit or other consideration received by Subtenant within five (5) days of its receipt by Subtenant or, in the event the assignee makes payment directly to Sublandlord, Sublandlord shall refund fifty percent (50%) of the Profit to Subtenant after deducting (a) and (b) above.

(d) Occupancy of all or part of the Sublease Premises by parent, subsidiary, or affiliated companies or a joint venture partnership of Subtenant shall not be deemed an assignment or subletting provided that such parent, subsidiary or affiliated companies or a joint venture partnership were not formed as a subterfuge to avoid the obligation of this Section 18. If Subtenant is a corporation, unincorporated association, trust or general or limited partnership, then the sale, assignment, transfer or hypothecation of any shares, partnership interest, or other ownership interest of such entity or the dissolution, merger, consolidation, or other reorganization of such entity, or the sale, assignment, transfer or hypothecation of the assets of such entity, shall not be deemed an assignment or sublease subject to the provisions of this Section 18.

19. Tenant Improvements. The Tenant Improvements shall be constructed by Subtenant at its sole cost and expense in accordance with the following:

(a) Plans. Subtenant shall prepare and submit to Sublandlord plans and working drawings for the construction of the Tenant Improvements, such plans to contain all such information as may be required for the construction of the Tenant Improvements. Sublandlord shall approve the plans within five (5) business days after receipt of same or designate specific changes required to be made to the plans. Subtenant shall make the required changes, and resubmit the revised plans to Sublandlord. The revised plans shall be approved or disapproved by Sublandlord within five (5) business days of receipt of the same. This procedure shall be repeated until the plans are finally approved by Sublandlord ("Final Plans").

(b) Procedure for Construction of Tenant Improvements. Subtenant shall begin the construction of the Tenant Improvements within fifteen (15) days of Sublandlord's approval of the Final Plans and shall complete the same in a good, workmanlike and lien-free manner in compliance with all applicable laws, codes and private restrictions. Subtenant shall only use contractors acceptable to Sublandlord, in its sole discretion, who shall maintain customary policies of "All Risk" insurance with respect to such construction with such carriers and in such amounts as are acceptable to Sublandlord in its sole discretion; provided, however, Sublandlord hereby approves Biostruct, Inc. as an acceptable contractor. All such policies shall name Sublandlord and Landlord as "additional insureds," evidence of which shall be provided to Sublandlord prior to commencement of construction. Subtenant hereby indemnifies, defends and holds Sublandlord and Landlord harmless from and against all claims or liabilities arising from such construction.

(c) Changes. If Subtenant requests any change, addition or alteration to the Final Plans ("Changes"), Subtenant shall submit a written request to Sublandlord set forth in reasonable detail the description of the proposed change. If Sublandlord approves such Changes, which approval shall not be unreasonably withheld on the same basis as described in Section 15(a), Subtenant shall, at Subtenant's sole cost and expense, promptly make such Changes.

20. Termination of Original Sublease Agreement. Effective as of the Effective Date, the Original Sublease Agreement shall terminate and be of no further force or effect except as to any rental obligation thereunder and any existing default or any event which, with the giving of notice or the passage of time shall constitute a default, unless such default or event is cured prior to the Effective Date.

21. Limitation of Estate. Subtenant's estate shall in all respects be limited to, and be construed in a fashion consistent with, the estate granted to Sublandlord by Landlord. Subtenant shall stand in the place of Sublandlord and shall defend, indemnify and hold Sublandlord harmless with respect to all covenants, warranties, obligations, and payments made by Sublandlord under or required of Sublandlord by the Master Lease with respect to the Sublease Premises. In the event Sublandlord is prevented from performing any of its obligations under this Sublease by a breach by Landlord of a term of the Master Lease, then Sublandlord's sole obligation in regard to its obligation under this Sublease shall be to use reasonable efforts in diligently pursuing the correction or cure by Landlord of Landlord's breach.

22. Entire Agreement. It is understood and acknowledged that there are no oral agreements between the parties hereto affecting this Sublease and this Sublease supersedes and cancels any and all previous negotiations, arrangements, brochures, agreements and understandings, if any, between the parties hereto or displayed by Sublandlord to Subtenant with respect to the subject matter thereof; and none thereof shall be used to interpret or construe this Sublease. This Sublease, and the exhibits and schedules attached hereto, contain all of the terms, covenants, conditions, warranties and agreements of the parties relating in any manner to the rental, use and occupancy of the Sublease Premises and shall be considered to be the only agreements between the parties hereto and their representatives and agents. None of the terms, covenants, conditions or provisions of this Sublease can be modified, deleted or added to except in writing signed by the parties hereto. All negotiations and oral agreements acceptable to both parties have been merged into and are included herein. There are no other representations or warranties between the parties, and all reliance with respect to representations is based totally upon the representations and agreements contained in this Sublease.

23. Acceptance. The submission of this Sublease to Subtenant does not constitute an offer to lease. This Sublease shall become effective only upon the execution and delivery thereof by both Sublandlord and Subtenant. Sublandlord shall have no liability or obligation to Subtenant by reason of Sublandlord's rejection of this Sublease or a failure to execute, acknowledge and deliver the same to Subtenant.

IN WITNESS WHEREOF, the parties have entered into this Sublease as of the date first written above.

SUBLANDLORD:

SICOR INC.,
a Delaware corporation

By: /s/

Its: Executive Vice President Finance & CFO

SUBTENANT:

NOVATEL WIRELESS, INC.,
a Delaware corporation

By: /s/ MELVIN FLOWERS

Its: Vice President & CFO 7/6/00

EXHIBIT "A"

COPY OF MASTER LEASE

[Attached]

LEASE AGREEMENT by and between

GENA PROPERTY COMPANY,

a California partnership

as LANDLORD

and

GENSIA, INC.,

a Delaware corporation,

as TENANT

Premises: San Diego, California

Dated as of: December 21, 1993

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LEASE AGREEMENT, made as of this 21st day of December, 1993, between GENA PROPERTY COMPANY, a California partnership, ("Landlord") the partners of which are GENA (CA) QRS 11-25, INC., a California corporation ("GENA:11") and GENA (CA) QRS 12-1, INC., a California corporation ("GENA:12") with an address c/o W. P. Carey & Co., Inc., 620 Fifth Avenue, New York, New York 10020, and GENSIA, INC. ("Tenant"), a Delaware corporation with an address at 9360 Towne Centre Drive, San Diego, California 92121.

In consideration of the rents and provisions herein stipulated to be paid and performed, Landlord and Tenant hereby covenant and agree as follows:

1. Demise of Premises. Landlord hereby demises and lets to Tenant, and Tenant hereby takes and leases from Landlord, for the term and upon the provisions hereinafter specified, the following described property (collectively, the "Leased Premises"): (a) the real property described in Exhibit "A" hereto, together with the Appurtenances (collectively, the "Land"); (b) the buildings, structures, driveways, walkways and other improvements now or hereafter constructed on the Land (collectively, the "Structures"); and (c) the Building Systems Equipment (as defined in Paragraph 2).

2. Certain Definitions.

"Additional Rent" shall mean Additional Rent as defined in Paragraph 7.

"Adjoining Property" shall mean all appurtenant sidewalks, driveways, curbs, gores and vault spaces which are located on land adjoining the Land and which Tenant is entitled to use and responsible to repair.

"Affiliate" with respect to Tenant shall mean any other Person controlling, controlled by or under common control with Tenant and "control" shall mean the power to direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.

"Alterations" shall mean all changes, additions, improvements or repairs to, all alterations, reconstructions, renewals, replacements or removals of and all substitutions or replacements for any of the Improvements, both interior and exterior, structural and non-structural, and ordinary and extraordinary.

"Appurtenances" shall mean all tenements, hereditaments, easements, rights-of-way, rights, privileges in and to the Land, including (a) easements over other lands granted by any Easement Agreement and (b) rights to use any streets, ways, alleys, vaults, gores or strips of land adjoining the Land.

"Assignment by Landlord" shall mean any assignment of rents and leases from Landlord to a Lender which (a) encumbers any of the Leased Premises and (b) secures Landlord's obligation to repay a Loan, as the same may be amended, supplemented or modified from time to time.

"Basic Rent" shall mean Basic Rent as defined in Paragraph 6 and computed pursuant to Exhibit "D".

"Basic Rent Commencement Date" shall mean January 1, 1994.

"Basic Rent Payment Dates" shall mean the Basic Rent Payment Dates as defined in Paragraph 6 below.

"Building Systems Equipment" shall mean the Building Systems Equipment described on Exhibit "B" which is installed or located in or on the Structures on the date hereof and paid for by Landlord. Building Systems Equipment shall include (i) that portion of the Tenant Improvements that is within the definition of Building Systems Equipment and (ii) Alterations to the Building Systems Equipment whether paid for by Landlord or, if required by the terms of this Lease, Tenant.

"Business Day" shall mean any day other than a Saturday, Sunday or a day on which banking institutions are authorized or obligated to close in the State of California.

"Casualty" shall mean any loss of or damage to any, property except Tenant's personal property and Tenant's, Equipment included within the Leased Premises or to any property in which Landlord has an ownership interest.

"Condemnation" shall mean a Taking and/or a Requisition, as defined below in this Paragraph 2.

"Condemnation Notice" shall mean notice or knowledge of the institution of or intention to institute any proceeding for Condemnation.

"Consolidated Tangible Net Worth" shall mean Consolidated Tangible Net Worth as defined in Exhibit "E".

"Construction Contracts" shall mean those certain Construction Contracts described in the Construction Management Agreement and any other contracts between Tenant, as construction manager for Landlord, and Contractors, pursuant to which the Tenant Improvements will be constructed.

"Construction Management Agreement" shall mean that certain Construction Management Agreement of even date between Landlord, as owner, and Tenant, as manager for Landlord, in connection with the installation and construction of the Tenant Improvements.

"Contractors" shall mean those contractors who are parties to the Construction Contracts.

"Costs" of a Person or associated with a specified transaction shall mean all reasonable costs and expenses incurred by such Person or associated with such transaction, including without limitation, attorneys' fees and expenses, court costs, brokerage fees, escrow fees, title insurance premiums, mortgage commitment fees, mortgage points, recording fees and transfer taxes, as the circumstances require.

"Covenant Breach" shall mean Covenant Breach as defined in Paragraph 29(e).

"Covenant Event of Default" shall mean a Covenant Breach for which a Letter of Credit is not issued in accordance with the provisions of Paragraph 29(e).

"CPI" shall mean the CPI as defined in Exhibit "D".

"Debt Rent" shall mean Debt Rent as defined in Paragraph 37(a)(ii).

"Default Rate" shall mean the Default Rate as defined in Paragraph 7(a)(iv).

"Direct Costs" shall mean Direct Costs as defined in Section 1.01 of the Construction Management Agreement.

"Early Termination Amount" shall mean [INTENTIONALLY OMITTED].

"Early Termination Date" shall mean Early Termination Date as defined in Paragraph 18.

"Early Termination Event" shall mean an Early Termination Event as defined in Paragraph 18.

"Early Termination Notice" shall mean Early Termination Notice as defined in Paragraph 18.

"Easement Agreements" shall mean any recorded conditions, covenants, restrictions, easements, declarations, licenses and other agreements affecting the Leased Premises. The initial Easement Agreements are listed on the Schedule of Permitted Encumbrances attached hereto as Exhibit "C". Tenant shall not negotiate or execute any Easement Agreement without Landlord's prior written consent, which shall not be unreasonably withheld or delayed. If Tenant or Landlord subsequently negotiates and the other party approves Easement Agreements in addition to those listed on Exhibit "C", such additional Easement Agreements shall be deemed to be included as Easement Agreements to which this Lease applies. Neither Tenant nor Landlord shall be bound by any Easement Agreements which are not listed on Exhibit "C" unless Landlord and Tenant expressly agree in writing to be bound thereby. If either Landlord or Tenant do not so agree to be bound by any Easement Agreements not listed on Exhibit "C" (the "Excluded Easement Agreements"), the Excluded Easement Agreements shall not be' included as Easement Agreements or Permitted Encumbrances. Easement Agreements other than Excluded Easement Agreements are Permitted Encumbrances.

"Environmental Law" shall mean (i) whenever enacted or promulgated, any applicable federal, state, foreign and local law, statute, ordinance, rule, regulation, license, permit, authorization, approval, consent, court order, judgment, decree, injunction, code, requirement or agreement with any governmental entity, (x) relating to pollution (or the cleanup thereof), or the protection of air, water vapor, surface water, groundwater, drinking water supply, land (including land surface or subsurface), plant, aquatic and animal life from injury caused by a Hazardous Substance or (y) concerning exposure to, or the use, containment, storage, recycling, reclamation, reuse, treatment, generation, discharge, transportation, processing, handling, labeling, production, disposal or remediation of Hazardous Substances, Hazardous Conditions or Hazardous Activities, in each case as amended and as now or hereafter in effect, and (ii) any common law or equitable doctrine (including, without limitation, injunctive relief and tort

doctrines such as negligence, nuisance, trespass and strict liability) that may impose liability or obligations or injuries or damages due to or threatened as a result of the presence of, exposure to, or ingestion of, any Hazardous Substance. The term Environmental Law includes, without limitation, the federal Comprehensive Environmental Response Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act, the federal Water Pollution Control Act, the federal Clean Air Act, the federal Clean Water Act, the federal Resources Conservation and Recovery Act of 1976 (including the Hazardous and Solid Waste Amendments to RCRA), the federal Solid Waste Disposal Act, the federal Toxic Substance Control Act, the federal Insecticide, Fungicide and Rodenticide Act, the federal Occupational Safety and Health Act of 1970, the federal National Environmental Policy Act and the federal Hazardous Materials Transportation Act, each as amended and as now or hereafter in effect and any similar state or local Law.

"Environmental Violation" shall mean (a) any direct or indirect discharge, disposal, spillage, emission, escape, pumping, pouring, injection, leaching, release, seepage, filtration or transporting of any Hazardous Substance at, upon, under, onto or within the Leased Premises, or from the Leased Premises to the environment, in violation of any Environmental Law or in excess of any reportable quantity established under any Environmental Law or which could result in any liability to Landlord, Tenant or Lender, any Federal, state or local government or any other Person for the costs of any removal or remedial action or natural resources damage or for bodily injury or property damage, (b) any deposit, storage, dumping, placement or use of any Hazardous Substance at, upon, under or within the Leased Premises or which extends to any Adjoining Property in violation of any Environmental Law or in excess of any reportable quantity established under any Environmental Law or which could result in any liability to any Federal, state or local Government or to any other Person for the costs of any removal or remedial action or natural resources damage or for bodily injury or property damage, (c) the abandonment or discarding of any barrels, containers or other receptacles containing any Hazardous Substances in violation of any Environmental Laws, (d) any activity, occurrence or condition which could result in any liability, cost or expense to Landlord or Lender or any other owner or occupier of the Leased Premises, or which could result in a creation of a lien on the Leased Premises, under any Environmental Law, or (e) any violation of or noncompliance with any Environmental Law.

"Equipment" shall mean Building Systems Equipment and Tenant's Equipment.

"Equity Rent" shall mean Equity Rent as defined in Paragraph 37(b).

"Event of Default" shall mean an Event of Default as defined in Paragraph 22(a).

"Existing Leases" is defined in Paragraph 21.

"Fair Market Rent" shall mean Fair Market Rent as determined in accordance with Section 3 of Exhibit "D".

"Federal Funds" shall mean federal or other immediately available funds which at the time of payment are legal tender for the payment of public and private debts in the United States of America.

"Final Release Conditions" shall mean Final Release Conditions as defined in Paragraph 29.

"Financial Covenants" shall mean the financial covenants of Tenant described on Exhibit "E".

"Funded Indebtedness" shall mean Funded Indebtedness as defined in Exhibit "E".

"Funding Deadline" shall mean [INTENTIONALLY OMITTED].

"GAAP" shall mean generally accepted accounting principles as in effect from time to time and followed consistently throughout the relevant period.

"Hazardous Activity" means any activity, process, procedure or undertaking which directly or indirectly (i) procures, generates or creates any Hazardous Substance; (ii) causes or results in (or `threatens to cause or result in) the release, seepage, spill, leak, flow, discharge or emission of any Hazardous Substance into the environment (including the air, ground water, watercourses or water systems), (iii) involves the containment or storage of any Hazardous Substance; or (iv) would cause the Leased Premises or any portion thereof to become a hazardous waste treatment, recycling, reclamation, processing, storage or disposal facility within the meaning of any Environmental Law; provided, however, that notwithstanding anything in this sentence or this Lease to the contrary, Tenant shall not be deemed to be engaged in a Hazardous Activity if the subject activity, process, procedure or undertaking is done or performed in accordance with applicable Law and/or governmental permit.

"Hazardous Condition" means any condition which would support any claim or liability under any Environmental Law, including the presence of underground storage tanks.

"Hazardous Substance" means (i) any substance, material, product, petroleum, petroleum product, derivative, compound or mixture, mineral (including asbestos), chemical, gas, medical waste, or other pollutant, in each case whether naturally occurring, man-made or the by-product of any process, that is toxic, harmful or hazardous or acutely hazardous to the environment or public health or safety or (ii) any substance supporting a claim under any Environmental Law, whether or not defined as hazardous as such under any Environmental Law. Hazardous Substances include, without limitation, any toxic or hazardous waste, pollutant, contaminant, industrial waste, petroleum or petroleum-derived substances or waste, radon, radioactive materials, asbestos, asbestos containing materials, urea formaldehyde foam insulation, lead and polychlorinated biphenyls.

"Impositions" shall mean the Impositions as defined in Paragraph 9(a).

"Improvements" shall mean the Structures as defined in Paragraph 1, Building Systems Equipment (as defined above) and Tenant Improvements (as defined below).

"Indemnitee" shall mean an Indemnitee as defined in Paragraph 15.

"Indirect Costs" shall mean Indirect Costs as defined in Section 1.01 of the Construction Management Agreement.

"Initial Lender" shall mean The Northwestern Mutual Life Insurance Company and its successors and assigns with respect to the Initial Loan.

"Initial Loan" shall mean the [INTENTIONALLY OMITTED]loan from Initial Lender to Landlord.

"Initial Term" shall mean the Initial Term as defined in Paragraph 5.

"Initial Term Commencement Date" shall mean Initial Term Commencement Date as defined in Paragraph 5(a).

"Initial Term Expiration Date" shall mean Initial Term Commencement Date as defined in Paragraph 5(a).

"Insurance Requirements" shall mean the requirements of all insurance policies required to be maintained in accordance with this Lease.

"Land" shall mean the Land as defined in Paragraph 1 and described in Exhibit "A-1".

"Landlord's Cash Contribution" shall mean [INTENTIONALLY OMITTED].

"Landlord's Maximum Contribution" shall mean [INTENTIONALLY OMITTED].

"Landlord's Share of Project Costs" shall mean [INTENTIONALLY OMITTED].

"Law" shall mean any constitution, statute, rule of law, code, ordinance, order, judgment, decree, injunction, rule, regulation, policy, requirement or administrative or judicial determination, even if unforeseen or extraordinary, of every duly constituted Governmental authority, court or agency, now or hereafter enacted or in effect.

"Lease" shall mean this Lease Agreement.

"Leased Premises" shall mean the Leased Premises as defined in Paragraph 1.

"Legal Requirements" shall mean all present and future Laws (including but not limited to Environmental Laws and Laws relating to accessibility to, usability by, and discrimination against, disabled individuals) and all covenants, restrictions and conditions now or hereafter of record which may be applicable to Tenant or to any of the Leased Premises, or to the use, manner of use, occupancy, possession, operation, maintenance, alteration, repair or restoration of any of the Leased Premises, even if compliance therewith necessitates structural changes or improvements or results in interference with the use or enjoyment of any of the Leased Premises.

"Lender" shall mean (a) Initial Lender, its successors and assigns, and (b) any person or entity (and their respective successors and assigns) which may, after the date hereof, make a Loan to Landlord or is the holder of any Note.

"Letter of Credit" shall mean an unconditional, irrevocable letter of credit in the form attached hereto as Exhibit "G" in the amount then required by Paragraph 29, with such

modifications as may be reasonably requested by the beneficiary thereof from time to time and issued by a commercial bank with a B rating or better according to the Sheshunoff Bank Quarterly or, if no longer available, a similar publication satisfactory to the then beneficiary thereof. The Letter of Credit shall name Landlord or, at Landlord's direction, Lender as beneficiary.

"Loan" shall mean the Initial Loan and any other loan made by one or more Lenders to Landlord, which Initial Loan or other loan, as the case may be, is secured by a Mortgage and an Assignment by Landlord and evidenced by a Note.

"Major Alterations" shall mean Major Alterations as defined in Paragraph 36(a).

"Monetary Event of Default" shall mean a failure by Tenant to pay Rent or any other Monetary Obligation within the cure period, if any, as provided in this Lease.

"Monetary Obligations" shall mean Rent and all other sums payable by Tenant under this Lease.

"Mortgage" shall mean any mortgage or deed of trust from Landlord to a Lender which (a) encumbers any of the Leased Premises and (b) secures Landlord's obligation to repay a Loan, as the same may be amended, supplemented or modified.

"Net Award" shall mean (a) the entire award payable to Landlord or Lender by reason of a Condemnation whether pursuant to a judgment or by agreement or otherwise, or (b) the entire proceeds of any insurance required under clauses (i), (ii) (to the extent payable to Landlord or Lender), (iv), (v) or (vi) of Paragraph 16(a) (to the extent payable to Landlord, Tenant or Lender), as the case may be, less any expenses incurred by Landlord, Tenant and Lender in collecting such award or proceeds.

"Note" shall mean any promissory note evidencing Landlord's obligation to repay a Loan, as the same may be amended, supplemented or modified.

"Notice Receipt Date" shall mean Notice Receipt Date as defined in Paragraph l8(b).

"Occupancy Date" shall mean the date on which each of the following events has occurred: (i) the Tenant Improvements have been completed substantially in accordance with the Plans, as certified to Landlord by the Architect (as defined in the Construction Management Agreement), and (ii) all permanent permits and licenses required for the occupancy of the Leased Premises have been obtained.

"Partial Casualty" shall mean any Casualty which does not constitute an Early Termination Event.

"Partial Condemnation" shall mean any Condemnation which does not constitute an Early Termination Event.

"Partial Release Conditions" shall mean Partial Release Conditions as defined in Paragraph 29(b).

"Permitted Encroachments" shall mean the encroachments listed on that certain ALTA/ACSM Land Title Survey of the Land dated December 2, 1992 and revised November 21, 1993 which was prepared by Bock & Clark's National Surveyors Network.

"Permitted Encumbrances" shall mean the existing state of title to the Leased Premises including those covenants, restrictions, reservations, liens, conditions and easements and other encumbrances, other than any Mortgage or Assignment by Landlord, listed on Exhibit "C" hereto. It is agreed that such listing shall not be deemed to revive any such encumbrances that have expired or terminated or are otherwise invalid or unenforceable.

"Person" shall mean an individual, partnership, association, corporation or other entity.

"Plans" shall mean the plans and specifications prepared and to be prepared by McGraw Baldwin Architects or another architect selected by Tenant for the installation and construction of the Tenant Improvements. A list of the existing Plans is attached to the Construction Management Agreement. Any amendments, modifications or additions to the Plans shall be approved as provided in the Construction Management Agreement.

"Prepayment Premium" shall mean any payment (other than a payment of principal and/or interest which Landlord is required to make under a Note or a Mortgage) by reason of any prepayment by Landlord of any principal due under a Note or Mortgage as the result of the occurrence of an Early Termination Events or an Event of Default or the purchase of the Leased Premises by Tenant upon the occurrence of an Environmental Violation pursuant to Paragraph 10(h), and which may be (in lieu of such prepayment premium or prepayment penalty) a "make whole" clause requiring a prepayment premium in an amount sufficient to compensate the Lender for the loss of the benefit of the Loan due to a prepayment.

"Present Value" of any amount shall mean [INTENTIONALLY OMITTED].

"Primary Term Expiration Date" shall mean Primary Term Expiration Date as defined in Paragraph 5(a).

"Prime Rate" shall mean the annual interest rate as published, from time to time, in the Wall Street Journal as the "Prime Rate" in its column entitled "Money Rates". The Prime Rate may not be the lowest rate of interest charged by any "large U.S. money center commercial banks" and Landlord makes no representations or warranties to that effect. In the event the Wall Street Journal ceases publication or ceases to publish the "Prime Rate" as described above, the Prime Rate shall be the average per annum discount rate (the "Discount Rate") on ninety-one (91) day bills ("Treasury Bills") issued from time to time by the United States Treasury at its most recent auction, plus three hundred (300) basis points. If no such 91-day Treasury Bills are then being issued, the Discount Rate shall be the discount rate on Treasury Bills then being issued for the period of time closest to ninety-one (91) days.

"Project Costs" shall mean [INTENTIONALLY OMITTED].

"Reciprocal Easement Agreement" means that certain Reciprocal Easement Agreement executed between Landlord, as owner of the Land, and Tenant, as owner of a parcel of land continuous to the Land. The Reciprocal Easement Agreement is an Easement Agreement.

"Remaining Obligations" shall mean Remaining Obligations as defined in Paragraph 18(c).

"Remaining Sum" shall mean Remaining Sum as defined in Paragraph 19(c).

"Renewal Term" shall mean Renewal Term as defined in Paragraph 5.

"Rent" shall mean, collectively, Basic Rent and Additional Rent.

"Rent Determination Date" shall mean the date when the Fair Market Rent is determined in accordance with Section 3 of Exhibit "D".

"Requisition" shall mean any temporary requisition or confiscation of the use or occupancy of any of the Leased Premises by any governmental authority, civil or military, whether pursuant to an agreement with such governmental authority in settlement of or under threat of any such requisition or confiscation, or otherwise.

"Retention Date" shall mean the later of the date on which the amount of the Remaining Sum is finally determined or the date on which Landlord's right to the Remaining Sum is finally determined.

"Site Assessment" shall mean a Site Assessment as defined in Paragraph 10(c).

"State" shall mean the State of California.

"Structures" shall mean the Structures as defined in Paragraph 1.

"Surviving Obligations" shall mean any obligations of Tenant under this Lease, actual or contingent, which arise on or prior to the expiration or prior termination of this Lease or which survive such expiration or termination by their own terms.

"Taking" shall mean (a) any taking or damaging of all or a portion of any of the Leased Premises (i) in or by condemnation or other eminent domain proceedings pursuant to any Law, general or special, or (ii) by reason of any agreement with any condemnor in settlement of or under threat of any such condemnation or other eminent domain proceeding, or (b) any inverse or other de facto condemnation. The Taking shall be considered to have taken place as of the later of the date actual physical possession is taken by the condemnor, or the date on which the right to compensation and damages accrues under the Law applicable to the Leased Premises.

"Tenant Improvements" shall mean all interior improvements and equipment to be purchased, paid for, constructed and/or installed in the Structures, all in accordance with the Plans and the terms of the Construction Management Agreement. The Tenant Improvements, including the Building Systems Equipment, shall not include Tenant's Equipment.

"Tenant's Equipment" shall mean all furniture, fixtures and equipment which are owned and paid for by Tenant at any time before or during the Term and transferred to and installed in the Structures and any replacements thereof, except that Alterations to Building Systems

Equipment shall be Building Systems Equipment even if paid for by Tenant. Tenant's Equipment shall not include the Tenant Improvements.

"Term" shall mean the Primary Term and the Initial Term, plus any exercised Renewal Terms.

"Third Party Purchaser" shall mean Third Party Purchaser as defined in Paragraph 21(j).

"Total Capitalization" shall mean Total Capitalization as defined in Exhibit "E".

3. Title and Condition.

(a) The Leased Premises are demised and let subject to (i) the Mortgage and Assignment by Landlord presently in effect, (ii) the rights of any Persons in possession of the Leased Premises, (iii) the existing state of title of any of the Leased Premises, including any Permitted Encumbrances, (iv) any state of facts which an accurate survey or physical inspection of the Leased Premises might show, (v) all Legal Requirements, including any existing violation of any thereof, and (vi) the condition of the Leased Premises as of the commencement of the Term, without representation or warranty by Landlord.

(b) Tenant acknowledges that the Leased Premises are in good condition and repair at the inception of this Lease. LANDLORD LEASES AND WILL LEASE AND TENANT TAKES AND WILL TAKE THE LEASED PREMISES AS IS. TENANT ACKNOWLEDGES THAT LANDLORD (WHETHER ACTING AS LANDLORD HEREUNDER OR IN ANY OTHER CAPACITY) HAS NOT MADE AND WILL NOT MAKE, NOR SHALL LANDLORD BE DEEMED TO HAVE MADE, ANY WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, WITH RESPECT TO ANY OF THE LEASED PREMISES, INCLUDING ANY WARRANTY OR REPRESENTATION AS TO (i) ITS FITNESS, DESIGN OR CONDITION FOR ANY PARTICULAR USE OR PURPOSE, (ii) THE QUALITY OF THE MATERIAL OR WORKMANSHIP THEREIN, (iii) THE EXISTENCE OF ANY DEFECT, LATENT OR PATENT, (iv) LANDLORD'S TITLE THERETO, (v) VALUE, (vi) COMPLIANCE WITH SPECIFICATIONS, (vii) LOCATION, (viii) USE, (ix) CONDITION, (x) MERCHANTABILITY, (xi) QUALITY, (xii) DESCRIPTION, (xiii) DURABILITY, (xiv) OPERATION, (xv) THE EXISTENCE OF ANY HAZARDOUS SUBSTANCE, HAZARDOUS CONDITION OR HAZARDOUS ACTIVITY OR (xvi) COMPLIANCE OF THE LEASED PREMISES WITH ANY LAW OR LEGAL REQUIREMENT. ALL RISKS INCIDENT TO THE FOREGOING ARE TO BE BORNE BY TENANT. TENANT ACKNOWLEDGES THAT THE LEASED PREMISES ARE OF ITS SELECTION AND TO ITS SPECIFICATIONS AND THAT AS OF THE OCCUPANCY DATE THE LEASED PREMISES WILL HAVE BEEN INSPECTED BY TENANT AND SATISFACTORY TO IT. IN THE EVENT OF ANY DEFECT OR DEFICIENCY IN ANY OF THE LEASED PREMISES OF ANY NATURE, WHETHER LATENT OR PATENT, LANDLORD SHALL NOT HAVE ANY RESPONSIBILITY OR LIABILITY WITH RESPECT THERETO OR FOR ANY INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING STRICT LIABILITY IN TORT). THE PROVISIONS OF THIS PARAGRAPH 3 (b) HAVE BEEN NEGOTIATED, AND ARE INTENDED TO BE A COMPLETE EXCLUSION AND NEGATION OF ANY

WARRANTIES BY LANDLORD, EXPRESS OR IMPLIED, WITH RESPECT TO ANY OF THE LEASED PREMISES, ARISING PURSUANT TO THE UNIFORM COMMERCIAL CODE OR ANY OTHER LAW NOW OR HEREAFTER IN EFFECT OR ARISING OTHERWISE.

(c) Tenant represents to Landlord that Tenant has examined the title to the Leased Premises prior to the execution and delivery of this Lease and has found the same to be satisfactory for the purposes contemplated hereby. Tenant acknowledges that (i) fee simple title (both legal and equitable) is in Landlord and that Tenant has only the leasehold right of possession and use of the Leased Premises as provided herein, (ii) the Structures conform to all material Legal Requirements and all Insurance Requirements, (iii) all easements necessary or appropriate for the use or operation of the Leased Premises have been obtained, (iv) except as shown on the schedule of even date delivered to Landlord, all contractors and subcontractors who have performed work on or supplied materials to the Leased Premises have been fully paid, and all materials and supplies have been fully paid for, (v) the Structures (except for the Tenant Improvements) have been fully completed in all material respects in a workmanlike manner of first class quality, (vi) all Equipment (except for the Tenant Improvements) necessary or appropriate for the use or operation of the Leased Premises has been installed and is presently fully operative in all material respects, and (vii) upon completion of the Tenant Improvements the Tenant Improvements will be fully completed, installed and operative in all respects and of a first class quality.

(d) Landlord hereby assigns to Tenant, without recourse or warranty whatsoever, all warranties, guaranties, indemnities and similar rights which Landlord may have against any manufacturer, seller, engineer, contractor or builder in respect of any of the Leased Premises. Such assignment shall remain in effect until an Event of Default occurs or until the expiration or earlier termination of this Lease, whereupon such assignment shall cease and all of said warranties, guaranties, indemnities and other rights shall automatically revert to Landlord.

(e) Pursuant to the Construction Management Agreement, Tenant will cause the Tenant Improvements to be constructed and installed with funds more particularly described in the Construction Management Agreement. The Tenant Improvements will be owned by Landlord and are included within the Leased Premises. Tenant acknowledges that the Tenant Improvements have not yet been completed and that, pursuant to the Construction Management Agreement, Tenant has the responsibility for causing the Tenant Improvements to be completed in accordance with the terms of the Construction Management Agreement. Landlord will not make any representations or warranties with respect to the Tenant Improvements. Tenant further acknowledges that, upon occurrence of an Event of Default, Landlord may terminate the Construction Management Agreement, in addition to all other remedies of Landlord under this Lease, Landlord shall have the right but not the obligation to complete construction of the Tenant Improvements in accordance with the Plans. If Landlord so completes construction of the Tenant Improvements, Tenant will not be excused from paying all Rent due pursuant to the terms of this Lease, and, whether Or not Landlord completes the Tenant Improvements, Landlord shall have the right to exercise any or all of its remedies hereunder following an Event of Default. All acknowledgments of Tenant regarding the Leased Premises contained in Paragraph 3 (b) shall be deemed to have been made again as of the Occupancy Date.

4. Use of Leased Premises; Quiet Enjoyment.

(a) Tenant may occupy and use the Leased Premises for office use and for research, development, testing, manufacturing, sale and use of pharmaceutical, medical, chemical and related products and devices and uses ancillary thereto, including without limitation the performance of clinical experiment programs and the operation of a delicatessen or restaurant, as long as such uses are permitted under and conducted in accordance with applicable Law, and for no other purpose without having first received the prior written approval of Landlord, which approval shall not be unreasonably withheld or delayed. Tenant shall not use or occupy or permit any of the Leased Premises to be used or occupied, nor do or permit anything to be done in or on any of the Leased Premises, in a manner which would or might (i) violate any Law or Legal Requirement, (ii) make void or voidable or cause any insurer to cancel any insurance required by this Lease, or make it difficult or impossible to obtain any such insurance at commercially reasonable rates, (iii) cause structural injury to any of the Structures or (iv) constitute a public or private nuisance or waste.

(b) Subject to the provisions hereof, so long as no Event of Default has occurred and is continuing, Tenant shall quietly hold, occupy and enjoy the Leased Premises throughout the Term, without any hindrance, ejection or molestation by Landlord with respect to matters that arise after the date hereof, provided that Landlord and Lender may enter upon and examine any of the Leased Premises at such reasonable times as Landlord or Lender may select for the purpose of inspecting the Leased Premises, verifying compliance or non-compliance by Tenant with its obligations hereunder and the existence or non-existence of an Event of Default or event which with the passage of time and/or notice would constitute an Event of Default, showing the Leased Premises to prospective Lenders and purchasers and taking such other action with respect to the Leased Premises as is permitted by any provision hereof. Tenant may reasonably limit the extent of any such inspection so as to minimize disclosure by Tenant of confidential or proprietary products being developed or manufactured by Tenant.

5. Term.

(a) Subject to all of the provisions of this Lease, Tenant shall have and hold the Leased Premises for a primary term ("Primary Term") commencing on the date hereof and ending on the last day of the calendar month in which the Funding Deadline occurs (the "Primary Term Expiration Date") and for an initial term (the "Initial Term") commencing on the first day of the first month following the Primary Term Expiration Date (the "Initial Term Commencement Date") and ending on the last day (the "Initial Term Expiration Date") of the one hundred eightieth (180th) calendar month next following the date on which the Initial Term commences. If all Rent and all other sums due hereunder shall not have been fully paid by the end of the Term, Landlord may, at its option, extend the Term on a month-to-month basis until all said sums shall have been fully paid.

(b) Provided that if, on or prior to the Initial Term Expiration Date or any other Renewal Date (as hereinafter defined) this Lease shall not have been terminated pursuant to any provision hereof, then on the Initial Term Expiration Date and on the tenth (10th), twentieth (20th) and thirtieth (30th) anniversaries of the Initial Term Expiration Date (the Initial Term Expiration Date and each such anniversary being a "Renewal Date"), the Term shall be deemed

to have been automatically extended for an additional period of ten (10) years (each such ten (10) year period, a "Renewal Term"), unless Tenant shall-notify Landlord in writing at least one (1) year prior to the next Renewal Date that Tenant is terminating this Lease as of the next Renewal Date. If Tenant so notifies Landlord of Tenant's election to terminate this Lease, Tenant shall deliver to Landlord such additional documents in recordable form as are necessary to delete from the public records any reference to the leasehold estate and other rights of Tenant hereunder. Any such extension of the Term shall be subject to all of the provisions of this Lease, as the same may be amended, supplemented or modified.

(c) If Tenant exercises its option not to extend or further extend the Term, or if an Event of Default occurs, then Landlord shall have the right during the remainder of the Term then in effect and, in any event, Landlord shall have the right during the last year of the Term, to (i) advertise the availability of the Leased Premises for sale or reletting and to erect upon the Leased Premises signs indicating such availability and (ii) show the Leased Premises to prospective purchasers or tenants or their agents at such reasonable times as Landlord may select. Tenant may reasonably limit the extent of any such inspection so as to minimize disclosure by Tenant of confidential or proprietary products being developed or manufactured by Tenant.

6. Basic Rent. Tenant shall pay to Landlord, as annual rent for the Leased Premises during the Term, the amounts determined in accordance with Exhibit "D" hereto ("Basic Rent"). [PORTION OF PARAGRAPH INTENTIONALLY OMITTED] Basic Rent shall be payable monthly in advance (each such monthly day being a "Basic Rent Payment Date"). Each such rental payment shall be made, at Landlord's sole discretion, (a) to Landlord at its address set forth above and/or to such one or more other Persons, at such addresses and in such proportions as Landlord may direct by fifteen (15) days' prior written notice to Tenant (in which event Tenant shall give Landlord notice of each such payment concurrent with the making thereof), and (b) in Federal Funds.

7. Additional Rent.

(a) Subject to any specific provisions of this Lease to the contrary, Tenant shall pay and discharge, as additional rent (collectively, "Additional Rent"):

(i) [INTENTIONALLY OMITTED]

(J) any other items specifically required to be paid by Tenant under this Lease, which costs and expenses shall include, without limitation, all Costs, judgments, settlement amounts, Impositions, insurance premiums, appraisal fees, the cost of performing and reporting Site Assessments to the extent provided in Paragraph 10(c), the cost of curing any Environmental Violation, and the cost of complying with all Legal Requirements, fines, penalties and interest.

(ii) after the date all or any portion of any installment of Basic Rent is due and not paid, an amount equal to three percent (3%) of the amount of such unpaid installment or portion thereof ("Late Charge"), provided, however, that with respect to the first two late payments of all or any portion of any installment of Basic Rent in any

consecutive twelve (12) month period the Late Charge shall not be due and payable unless the Basic Rent has not been paid within three (3) Business Days following the due date thereof;

(iii) a sum equal to any additional sums (including any late charge, default penalties, interest and fees of Lender's counsel) which are actually paid by Landlord to any Lender under any Note by reason of Tenant's late payment or non-payment of Basic Rent or by reason of an Event of Default or as a result of Tenant's failure to comply with Paragraph 28 hereof; and

(iv) interest at the rate (the "Default Rate") equal to the lower of (A) the maximum rate permitted by Law, or (B) three percent (3%) over the Prime Rate per annum on the following sums until paid in full: (1) all overdue installments of Basic Rent from the respective due dates thereof, provided that the Default Rate shall not be due on any installment not paid as a result of Initial Lender's failure to draw on the Letter of Credit pursuant to Paragraph 37(b) hereof, (2) all overdue amounts of Additional Rent relating to obligations which Landlord or Lender shall have paid on behalf of Tenant, beginning five (5) Business Days after notice of payment thereof by Landlord or Lender, and (3) all other overdue amounts of Additional Rent, from the date when any such amount becomes overdue.

(b) Subject to any specific provisions of this Lease to the contrary, Tenant shall pay and discharge (i) any Additional Rent referred to in Paragraph 7 (a) (i) when the same shall become due, provided that amounts which are billed to Landlord, Lender or any third party, but not to Tenant, shall be paid within ten (10) days after Landlord's or Lender's written demand for payment thereof, and (ii) any other Additional Rent, within fifteen (15) days following Landlord's demand for payment thereof. At the time Landlord makes demand for payment, Landlord shall furnish to Tenant reasonably detailed invoices or statements for all items of Additional Rent paid by Landlord or Lender.

(c) Notwithstanding anything in this Paragraph 7 to the contrary, Tenant shall not be responsible for paying any costs of Landlord and/or any Lender incurred with respect to any sale, transfer, or financing of the Leased Premises by Landlord unless Tenant purchases the Leased Premises from Landlord pursuant to any provision of this Lease which requires Tenant to pay such costs.

8. Net Lease; Non-Terminability.

(a) This is a net lease and all Monetary Obligations shall be paid without notice or demand and without set-off, counterclaim, recoupment, abatement, suspension, deferment, diminution, deduction, reduction or defense (collectively, a "Set-Off").

(b) Except as otherwise expressly provided herein, this Lease and the rights of Landlord and the obligations of Tenant hereunder shall not be affected by any event or for any reason, including the following: (i) any damage to or theft, loss or destruction of any of the Leased Premises, (ii) any Condemnation, (iii) the prohibition, limitation or restriction of Tenant's use of any of the Leased Premises, (iv) any eviction by paramount title or otherwise,

(v) Tenant's acquisition of ownership of any of the Leased Premises other than pursuant to an express provision of this Lease, (vi) any default on the part of Landlord hereunder or under any Note, Mortgage, Assignment by Landlord or any other agreement, (vii) any latent or other defect in any of the Leased Premises, (viii) the breach of any warranty of any seller or manufacturer of any of the Equipment, (ix) any violation of Paragraph 4(b) or any other provision of this Lease by Landlord, (x) the bankruptcy, insolvency, reorganization, composition, readjustment, liquidation, dissolution or winding-up of, or other proceeding affecting Landlord, (xi) the exercise of any remedy, including foreclosure, under any Mortgage or Assignment by Landlord, (xii) any action with respect to this Lease (including the disaffirmance hereof) which may be taken by Landlord, any trustee, receiver or liquidator of Landlord or any court under the Federal Bankruptcy Code or otherwise, (xiii) any interference with Tenant's use of the Leased Premises, (xiv) market or economic changes, (xv) failure to complete the Tenant Improvements, (xvi) failure of Landlord to pay Landlord's Share of Project Costs, or (xvi) any other cause, whether similar or dissimilar to the foregoing, any present or future Law to the contrary notwithstanding.

(c) Except as may be specifically provided herein to the contrary, the obligations of Tenant hereunder shall be separate and independent covenants and agreements, all Monetary Obligations shall continue to be payable in all events, and the obligations of Tenant hereunder shall continue unaffected by any breach of any provision hereof by Landlord unless the requirement to pay or perform the same shall have been terminated pursuant to an express provision of this Lease. Rent payable by Tenant hereunder shall constitute "rent" for all purposes (including Section 502(b) (6) of the Bankruptcy Code) .

(d) Except as otherwise expressly provided in this Lease, Tenant shall have no right and hereby waives all rights which it may have under any Law (i) to quit, terminate or surrender this Lease or any of the Leased Premises, or (ii) to any Set-Off of any Monetary Obligations.

9. Payment of Impositions.

(a) Tenant shall, before interest or penalties are due thereon, pay and discharge all taxes (including real and personal property, franchise, sales and rent taxes), all charges for any easement or agreement maintained for the benefit of any of the Leased Premises, all assessments and levies, all permit, inspection and license fees, all rents and charges for water, sewer, utility and communication services relating to the any of Leased Premises, all ground rents and all other public charges whether of a like or different nature, even if unforeseen or extraordinary, imposed upon or assessed against (i) Tenant, (ii) any of the Leased Premises, (iii) Landlord as a result of or arising in respect of the acquisition, ownership, occupancy, leasing, use, possession or sale of any of the Leased Premises, any activity conducted on any of the Leased Premises, or the Rent, or (iv) any Lender by reason of any Note, Mortgage, Assignment by Landlord or other document evidencing or securing a Loan and which (as to this clause (iv)) Landlord has agreed to pay (collectively, the "Impositions"); provided, however, that nothing herein shall obligate Tenant to pay (A) income, excess profits or other taxes of Landlord (or Lender) which are determined on the basis of Landlord's (or Lender's) net income or net worth (unless and only to the extent that such taxes are in lieu of or a substitute for any other tax, assessment or other charge upon or with respect to the Leased Premises which, if it were in

effect, would be payable by Tenant under the provisions hereof or by the terms of such tax, assessment or other charge), (B) any estate, inheritance, succession, gift or similar tax imposed on Landlord, (C) any capital gains tax imposed on Landlord in connection with the sale of the Leased Premises to any Person, (D) installments of principal and/or interest payable by Landlord on any Loan, (E) property management fees payable by Landlord or (F) increases in real estate taxes which result from a transfer of the Leased Premises during the first three (3) years of the Initial Term or from a transfer of the Leased Premises at any time to any affiliate of Landlord or of Corporate Property Associates 11 Incorporated or Corporate Property Associates 12 Incorporated. If any Imposition may be paid in installments without interest or penalty, Tenant shall have the option to pay such Imposition in installments; in such event, Tenant shall be liable only for those installments which accrue or become due and payable during the Term. Tenant shall prepare and file all tax reports required by governmental authorities which relate to the Impositions. Tenant shall deliver to Landlord (1) copies of all settlements and notices pertaining to the Impositions which may be issued by any governmental authority within ten (10) days after Tenant's receipt thereof, (2) receipts for payment of all taxes required to be paid by Tenant hereunder within thirty (30) days after the due date thereof and (3) receipts for payment of all other Impositions within ten (10) days after Landlord's request therefor.

(b) At any time following the occurrence of a monetary Event of Default or at any time following a draw on the Letter of Credit, Landlord shall have the right to require Tenant to pay to Landlord an additional monthly sum (each an "Escrow Payment") sufficient to pay the Escrow Charges (as hereinafter defined) as they become due on an annual basis and in the amounts actually payable. As used herein, "Escrow Charges" shall mean real estate taxes on the Leased Premises or payments in lieu thereof and premiums on any property and general liability insurance required by this Lease. Landlord shall determine the amount of the Escrow Charges and of each Escrow Payment. If the Escrow Payments are held by Lender, the Escrow Payments may be commingled with other funds of Lender. If the Escrow Payments are held by Landlord, the Escrow Payments shall not be commingled with other funds of Landlord, shall be invested and interest thereon shall accrue to the benefit of Tenant. Landlord shall apply the Escrow Payments to the payment of the Escrow Charges in such order or priority as Landlord shall determine or as required by law. If at any time the Escrow Payments theretofore paid to Landlord shall be insufficient for the payment of the Escrow Charges, Tenant, within ten (10) days after Landlord's demand therefor, shall pay the amount of the deficiency to Landlord.

10. Compliance with Laws and Easement Agreements; Environmental Matters.

(a) Tenant shall, at its expense, comply with and conform to, and cause any other Person occupying any part of the Leased Premises to comply with and conform to, all Insurance Requirements and Legal Requirements (including all applicable Environmental Laws). Tenant shall not at any time (i) cause, permit or suffer to occur any Environmental Violation or (ii) permit any sublessee, assignee or other Person occupying the Leased Premises under or through Tenant to cause, permit or suffer to occur any Environmental Violation.

(b) Tenant, at its sole cost and expense, will at all times promptly and faithfully abide by, discharge and perform all of the covenants, conditions and agreements contained in any Easement Agreement on the part of Landlord or the occupier to be kept and performed thereunder. Tenant will not alter, modify, amend or terminate any Easement

Agreement, give any consent or approval thereunder, or enter into any new Easement Agreement without, in each case, the prior written consent of Landlord.

(c) Upon prior written notice from Landlord, Tenant shall permit such persons as Landlord may designate ("Site Reviewers") to visit the Leased Premises during normal business hours and perform, as agents of Tenant, environmental site investigations and assessments ("Site Assessments") on the Leased Premises for the purpose of determining whether there exists on the Leased Premises any Environmental Violation or any condition which could result in any Environmental Violation. Such Site Assessments may include both above and below the ground testing for Environmental Violations and such other tests as may be necessary, in the opinion of the Site Reviewers, to conduct the Site Assessments. Tenant shall supply to the Site Reviewers such historical and operational information regarding the Leased Premises as may be reasonably requested by the Site Reviewers to facilitate the Site Assessments, and shall make available for meetings with the Site Reviewers appropriate personnel having knowledge of such matters. The Cost of any Site Assessment conducted at the request of Landlord, including any out-of-pocket costs incurred by Tenant, shall be paid by Landlord unless the Site Reviewers confirm the existence of a previously undisclosed Environmental Violation, in which case the Cost shall be paid by Tenant. Landlord shall not have the right to conduct a Site Assessment more than one time every three years during the Term except that such limitation shall not apply to any Site Assessment conducted in connection with a financing, refinancing or sale of the Leased Premises or if Landlord has reasonable cause to believe that an Environmental Violation exists in violation of Law or if Landlord is required to conduct a Site Assessment by any governmental agency or in order to monitor an existing Environmental Violation. Provided that no Monetary Event of Default shall have occurred and be continuing, Tenant shall have the right to consent to the selection of the Site Reviewers, which consent shall not be unreasonably withheld or delayed. If a Monetary Event of Default exists, Tenant shall not have any right to consent to the selection of the Site Reviewers so long as the Site Reviewers shall be a nationally recognized firm of licensed engineers with an office in San Diego County, experienced in handling environmental matters in such county and who specialize in (i) conducting environmental site assessments to determine whether specific properties are in compliance with Environmental Laws and (ii) formulating, implementing and managing the remediation of the discharge or release of Hazardous Substances.

(d) If an Environmental Violation occurs or is found to exist and, in Landlord's reasonable judgment, the cost of remediation of the same is likely to exceed $500,000, Tenant shall provide to Landlord, within ten (10) days after Landlord's request therefor, reasonable financial assurances that Tenant will effect such remediation in accordance with applicable Environmental Laws. Such financial assurances shall not exceed the financial assurances that would be required by an applicable Governmental agency.

(e) Notwithstanding any other provision of this Lease, if an Environmental Violation occurs or is found to exist and the Term would otherwise terminate or expire, then, at the option of Landlord, the Term shall be automatically extended beyond the date of termination or expiration and this Lease shall remain in full force and effect beyond such date until the earlier to occur of (i) the completion of all remedial action in accordance with applicable Environmental Laws or (ii) the date specified in a written notice from Landlord to Tenant terminating this Lease.

(f) Tenant shall notify Landlord immediately after becoming aware of any Environmental Violation (or receipt of formal notice of any alleged Environmental Violation) or noncompliance with any of the covenants contained in this Paragraph 10 and shall forward to Landlord immediately upon receipt thereof copies of all orders, reports, notices, permits, applications or other communications relating to any such violation or noncompliance.

(g) All future leases, subleases or concession agreements relating to the Leased Premises entered into by Tenant shall require the other Person thereto to comply with all Environmental Laws with respect to its use and occupancy of the Leased Premises.

(h) [INTENTIONALLY OMITTED]

(i) Tenant agrees that, no later than January 31, 1994, Tenant (1) shall seal all cracks on the floor of the storage room (Room 82) of the underground parking garage of the Structure known as 9360 Towne Centre Drive with silicon caulking or similar material to prevent further seepage of radon gas and (2) shall provide to Landlord and Initial Lender satisfactory documentation of such remediation.

11. Liens; Recording.

(a) Tenant shall not, directly or indirectly, create or permit to be created or to remain and shall promptly discharge or remove any lien, levy or encumbrance on any of the Leased Premises or on any Rent or any other sums payable by Tenant under this Lease, other than any Mortgage or Assignment by Landlord, the Permitted Encumbrances and any mortgage, lien, encumbrance or other charge created by or resulting solely from any act or omission of Landlord. NOTICE IS HEREBY GIVEN THAT LANDLORD SHALL NOT BE LIABLE FOR ANY LABOR, SERVICES OR MATERIALS FURNISHED OR TO BE FURNISHED TO TENANT OR TO ANYONE HOLDING OR OCCUPYING ANY OF THE LEASED PREMISES THROUGH OR UNDER TENANT, AND THAT NO MECHANICS' OR OTHER LIENS FOR ANY SUCH LABOR, SERVICES OR MATERIALS SHALL ATTACH TO OR AFFECT THE INTEREST OF LANDLORD IN AND TO ANY OF THE LEASED PREMISES. LANDLORD MAY AT ANY TIME, AND AT LANDLORD'S REQUEST TENANT SHALL. PROMPTLY, POST ANY NOTICES ON THE LEASED PREMISES REGARDING SUCH NON-LIABILITY OF LANDLORD.

(b) Landlord and Tenant shall execute, deliver and record, file or register (collectively, "record") all such instruments as may be required or permitted by any present or future Law in order to evidence the respective interests of Landlord and Tenant in the Leased Premises, and Tenant shall cause a memorandum of this Lease (or, if such a memorandum cannot be recorded, this Lease), and any supplement hereto or thereto, to be recorded in such manner and in such places as may be required or permitted by any present or future Law in order to protect the validity and priority of this Lease.

12. Maintenance and Repair.

(a) Except for ordinary wear and tear, Tenant shall at all times maintain the Leased Premises and the Adjoining Property in as good repair and appearance as they are in on the Occupancy Date and fit to be used for their intended use in accordance with the practices

generally recognized as then acceptable by other companies engaged in similar industries in San Diego, California, and, in the case of the Building Systems Equipment, in as good mechanical condition as it was on the later of the Occupancy Date or the date of its installation, except for ordinary wear and tear. Tenant shall take such actions as may be reasonably necessary or appropriate for the preservation and safety of the Leased Premises. Tenant shall promptly make all Alterations of every kind and nature, whether foreseen or unforeseen, which may be required to comply with the foregoing requirements of this Paragraph 12(a). Landlord shall not be required to make any Alteration, whether foreseen or unforeseen, or to maintain any of the Leased Premises or Adjoining Property in any way, and Tenant hereby expressly waives any right which may be provided for in any Law now or hereafter in effect to make Alterations at the expense of Landlord or to require Landlord to make Alterations. Any Alteration made by Tenant pursuant to this Paragraph 12 shall be made in conformity with the provisions of Paragraph 13.

(b) Except for Permitted Encroachments, if any Improvement, now or hereafter constructed, shall (i) encroach upon any setback or any property, street or right-of-way adjoining the Leased Premises, (ii) violate the provisions of any restrictive covenant affecting the Leased Premises, (iii) hinder or obstruct any easement or right-of-way to which any of the Leased Premises is subject or (iv) impair the rights of others in, to or under any of the foregoing, Tenant shall, promptly after receiving notice or otherwise acquiring knowledge thereof, either (A) obtain from all necessary parties waivers or settlements of all claims, liabilities and damages resulting from each such encroachment, violation, hindrance, obstruction or impairment, whether the same shall affect Landlord, Tenant or both, or (B) take such action as shall be necessary to remove all such encroachments, hindrances or obstructions and to end all such violations or impairments, including, if necessary, making Alterations.

13. Alterations and Improvements.

(a) In addition to Alterations required by Paragraphs 12 and 17 Tenant shall have the right, without having to obtain the prior written consent of Landlord and Lender, to (i) make any Alterations to the Structures for a cost of not more than [INTENTIONALLY OMITTED] in any one instance, or (ii) install Building Systems Equipment in the Structures or accessions to the Building Systems Equipment the cost of which as to such Building Systems Equipment or series of related Building Systems Equipment, does not exceed [INTENTIONALLY OMITTED]. The consent of Landlord and Lender shall be required (A) if a Monetary Event of Default exists, or (B) if the Alterations (or a series of related Alterations) exceeds [INTENTIONALLY OMITTED], or (C) if Tenant desires to remove and not upgrade or replace during the Term any Tenant Improvements which had an initial cost in the aggregate in excess of [INTENTIONALLY OMITTED], or (D) if Tenant desires to construct upon the Land any additional Improvements, provided that, with respect to (C) and (D) above, such consent shall not be unreasonably withheld or delayed. In any event, the consent of Landlord and Lender will not be withheld on the basis of the type of Alterations (i.e., laboratory or office space) to be constructed.

(b) If Tenant makes any Alterations pursuant to this Paragraph 13 or Paragraph 36 or as required by Paragraph 12 or 17 (such Alterations and actions being hereinafter collectively referred to as "Work"), whether or not Landlord's consent is required, then (i) all such Work shall be performed by Tenant in a good and workmanlike manner; (ii) all

such Work shall be expeditiously completed in compliance with all Legal Requirements; (iii) all such Work shall comply with the Insurance Requirements; (iv) if any such Work involves the replacement of Building Systems Equipment because of additions or changes to the Structures (as opposed to repairs or replacements of Building Systems Equipment as part of an on-going maintenance program), all replacements of Building Systems Equipment shall have a value and useful life equal to the greater of (A) the value and useful life on the date hereof of the Building Systems Equipment being replaced, or (B) the value and useful life on the Occupancy Date of the Building Systems Equipment being replaced, or (C) the value and useful life of the Building Systems Equipment being replaced immediately prior to the occurrence of the event which required its replacement; (v) if any such Work involves the replacement of Building Systems Equipment or parts thereto in connection with an on-going maintenance program, reconditioned equipment and parts may be used and upon completion the Building Systems Equipment need not have a value and useful life greater than the value and useful life of the Building Systems Equipment or parts being replaced immediately prior to the occurrence of the event which requires its replacement; (vi) Tenant shall promptly discharge or remove all liens filed against any of the Leased Premises arising out of such Work; (vii) Tenant shall procure and pay for all permits and licenses required in connection with any such Work; (viii) all such Work shall be subject to this Lease; and (ix) Tenant shall comply, to the extent requested by Landlord or required by this Lease, with the provisions of Paragraph 19(a), whether or not such Work involves restoration of the Leased Premises.

(c) If, after the Occupancy Date, Tenant makes any Alterations to existing Tenant's Equipment or installs any additional Tenant's Equipment in the Structures, Tenant shall retain title to such Alterations and additional Tenant's Equipment ("Tenant Alterations") (except for replacements of, or repairs to, or substitutions for, the Structures and Building Systems Equipment) and shall have the right to remove the same upon the expiration or earlier termination of this Lease, provided that (1) such removal will not cause material damage to the Leased Premises, and (2) Tenant promptly repairs any damage caused by such removal. Title to any Alterations which are not Tenant Alterations shall vest in Landlord, and Tenant shall not be entitled to remove the same upon the expiration or earlier termination of this Lease.

14. Permitted Contests.

(a) Notwithstanding any other provision of this Lease, Tenant shall not be required to (a) pay any Imposition, (b) comply with any Legal Requirement, (c) discharge or remove any lien referred to any Paragraph of this Lease except Paragraph 21 or (d) take any action with respect to any encroachment, violation, hindrance, obstruction or impairment referred to in Paragraph 12(b) (such non-compliance with the terms hereof being hereinafter referred to collectively as "Permitted Violations"), so long as at the time of such contest no Monetary Event of Default or Covenant Event of Default exists and so long as Tenant shall contest, in good faith, the existence, amount or validity thereof, the amount of the damages caused thereby, or the extent of its or Landlord's liability therefor by appropriate proceedings which shall operate during the pendency thereof to prevent or stay (i) the collection of, or other realization upon, the Permitted Violation so contested, (ii) the sale, forfeiture or loss of any of the Leased Premises or any Rent to satisfy or to pay any damages caused by any Permitted Violation, (iii) any interference with the use or occupancy of any of the Leased Premises, (iv) any interference with the payment of any Rent, (v) the cancellation or increase in the rate of any insurance policy or a

statement by the carrier that coverage will be denied or (vi) the enforcement or execution of any injunction, order or Legal Requirement with respect to the Permitted Violation.

(b) Tenant shall provide Landlord security which is satisfactory, in Landlord's reasonable judgment, to assure that such Permitted Violation is corrected, including all Costs, interest and penalties that may be incurred or become due in connection therewith. If such security is in the form of a cash deposit, interest thereon shall accrue for the benefit of Tenant, and Landlord shall not commingle any such cash security provided by Tenant with other funds of Landlord. While any proceedings which comply with the requirements of this Paragraph 14 are pending and the required security is held by Landlord, Landlord shall not have the right to correct any Permitted Violation thereby being contested unless Landlord is required by law to correct such Permitted Violation and Tenant's contest does not prevent or stay such requirement as to Landlord. Each such contest shall be promptly and diligently prosecuted by Tenant to a final conclusion, except that Tenant, so long as the conditions of this Paragraph 14 are at all times complied with, shall have the right to attempt to settle or compromise such contest through negotiations. Tenant shall pay any and all losses, judgments, decrees and Costs in connection with any such contest and shall, promptly after the final determination of such contest, fully pay and discharge the amounts which shall be levied, assessed, charged or imposed or be determined to be payable therein or in connection therewith, together with all penalties, fines, interest and Costs thereof or in connection therewith, and perform all acts the performance of which shall be ordered or decreed as a result thereof.

(c) Notwithstanding the foregoing, no provision of this Lease shall allow the Tenant to continue any contest or other activity which shall subject Landlord to any risk of criminal liability.

15. Indemnification.

(a) Tenant shall pay, protect, indemnify, save and hold harmless Landlord, Lender and all other Persons described in Paragraph 30 (each an "Indemnitee") from and against any and all liabilities, losses, damages (including punitive damages), penalties, Costs, causes of action, suits, claims, demands or judgments of any nature whatsoever, howsoever caused (unless and to the extent caused by such Indemnitee's gross negligence or willful misconduct), without regard to the form of action and whether based on strict liability, gross negligence, negligence or any other theory of recovery at law or in equity, arising from (i) any matter pertaining to the acquisition (or the negotiations leading thereto), ownership, use, non-use, occupancy, operation, condition, design, construction, maintenance, repair or restoration of the Leased Premises or Adjoining Property, (ii) any casualty in any manner arising from the Leased Premises or Adjoining Property, whether or not Landlord has or should have knowledge or notice of any defect or condition causing or contributing to said casualty, (iii) any violation by Tenant of any provision of this Lease, any contract or agreement to which Tenant is a party, any Legal Requirement or any Permitted Encumbrance, (iv) any alleged, threatened or actual Environmental Violation, including (A) liability for response costs and for costs of removal and remedial action incurred by the United States Government, any state or local governmental unit or any other Person, or damages from injury to or destruction or loss of natural resources, including the reasonable costs of assessing such injury, destruction or loss, incurred pursuant to Section 107 of CERCLA, or any successor section or act or provision of any similar state or local

Law, (B) liability for costs and expenses of abatement, correction or clean-up, fines, damages, response costs or penalties which arise from the provisions of any of the other Environmental Laws and (C) liability for personal injury or property damage arising under any statutory or common-law tort theory, including damages assessed for the maintenance of a public or private nuisance or for carrying on of a dangerous activity or (v) any claim against an Indemnitee under that certain Indemnity Agreement of even date executed by Landlord and other Persons in favor of Initial Lender.

(b) In case any action or proceeding is brought against any Indemnitee by reason of any such claim, such Indemnitee shall promptly notify Tenant in writing of any such action or proceeding. If an Indemnitee fails to give Tenant prompt notice of any such claim and Tenant is prejudiced as a result of Indemnitee's delay, Tenant shall not be obligated to indemnify Indemnitee to the extent Tenant is thereby prejudiced. Upon receipt of notice from any Indemnitee, Tenant shall, subject to the preceding sentence, resist or defend such action or proceeding by retaining counsel reasonably satisfactory to such Indemnitee, and such Indemnitee will cooperate and assist in the defense of such action or proceeding if reasonably requested so to do by Tenant. Any Indemnitee may retain separate counsel to represent Indemnitee, but only at such Indemnitee's sole cost and expense.

(c) The obligations of Tenant under this Paragraph 15 shall survive any termination or expiration of this Lease.

16. Insurance.

(a) Tenant shall maintain the following insurance on or in connection with the Leased Premises:

(i) Insurance against physical loss or damage to the Improvements as provided under a standard "All Risk" property policy including but not limited to flood (if the Leased Premises are in a flood zone) and earthquake coverage. The amount of coverage shall not be less than the actual replacement cost of the Improvements, except for the Flood and Earthquake insurance which shall be provided with limits of $5,000,000 and $10,000,000 respectively. Such policies shall contain deductibles of not more than $100,000, except for Flood and Earthquake Insurance which shall have the customary deductibles reasonably available for such properties.

(ii) Commercial General Liability Insurance against claims for personal and bodily injury, death or property damage occurring on, in or as a result of the use of the Leased Premises, in an amount not less than $10,000,000 per occurrence/annual aggregate, including but not limited to Garagekeepers Liability, Host Liquor Liability, and all other coverage extensions that are usual and customary for properties of this size and type.

(iii) Worker's Compensation Insurance covering all of the Tenant's employees for claims for death, disease or bodily injury that may be asserted against Tenant. In lieu of such Worker's Compensation Insurance, a program of self-insurance

complying with the rules, regulations and requirements of the appropriate agency of the State.

(iv) Comprehensive Boiler and Machinery Insurance including but not limited to Service Interruption, Expediting Expenses, Ammonia Contamination in an amount not less than $5,000,000 for damage to property resulting from such covered perils as found in a standard Comprehensive Boiler and Machinery Policy. Such policies may contain a deductible not in excess of $100,000.

(v) Business Income/Interruption Insurance to include Loss of Rents on an Actual Loss Sustained basis with a period of indemnity not less than one year from the time of loss. Such insurance shall name Landlord and Lender as "loss payee" solely with respect to Rent payable to or for the benefit of Landlord under this Lease.

(vi) During construction of the Tenant Improvements and during any period in which substantial Alterations at the Leased Premises are being undertaken, (A) Builder's Risk Insurance covering the total completed value including any "soft costs" with respect to the Improvements being altered or repaired (on a completed value, non-reporting basis), replacement cost of work performed and equipment, supplies and materials furnished in connection with such construction or repair of Improvements and (B) General Liability, Worker's Compensation and Automobile Liability Insurance with respect to the Improvements being constructed, altered or repaired.

(vii) Such other insurance (or other terms with respect to any insurance required pursuant to this Paragraph 16, including without limitation amounts of coverage, deductibles, form of mortgagee clause) on or in connection with any of the Leased Premises as Landlord or Lender may reasonably require, which at the time is usual and commonly obtained in connection with properties located in the Greater San Diego area and similar in type of building size and use to the Leased Premises.

(b) The insurance required by Paragraph 16(a) shall be written by companies which have a Best's rating of A:X or above and are approved to write insurance policies by the State Insurance Department of California. The insurance policies (i) shall be in amounts sufficient at all times to satisfy any coinsurance requirements thereof and (ii) shall (except for the worker's compensation insurance referred to in Paragraph 16(a)(iii) hereof) name Landlord, Tenant and Lender as insured parties, as their respective interests may appear. If said insurance or any part thereof shall expire, be withdrawn, become void for any reason whatsoever, Tenant shall immediately obtain new or additional insurance to comply with the requirements of this Lease.

(c) All proceeds of any insurance required under clauses (i), (ii) (except proceeds payable to a Person other than Tenant, Landlord or Lender), (iv) and (v) of Paragraph 16(a) shall be payable to Landlord and Tenant as their respective interests may appear or, if required by the Mortgage, to Lender and with respect to proceeds of insurance described in Paragraph (a)(v) paid to Landlord. Tenant shall receive a credit against installments of Equity Rent to the extent such proceeds are received by Landlord and Debt Rent received by Lender on behalf of Landlord. Each insurance policy referred to in clauses (i), (iv), (v) and (vi) of

Paragraph 16(a) shall contain standard non-contributory mortgagee clauses in favor of and acceptable to Lender. Each policy required by any provision of Paragraph 16(a), except clause (iii) thereof, shall provide that it may not be canceled except after thirty (30) days' prior notice to Landlord and Lender. Each such policy shall also provide that any loss otherwise payable thereunder shall be payable notwithstanding (i) any act or omission of the Landlord or Tenant which might, absent such provision, result in a forfeiture of all or a part of such insurance payment, (ii) the occupation or use of any of the Leased Premises for purposes more hazardous than those permitted by the provisions of such policy, (iii) any foreclosure or other action or proceeding taken by Lender pursuant to any provision of the Mortgage, Note, Assignment by Landlord or other document evidencing or securing the Loan upon the happening of an event of default therein or (iv) any change in title to or ownership of any of the Leased Premises.

(d) Tenant shall pay as they become due all premiums for the insurance required by Paragraph 16(a), shall renew or replace each policy and deliver to Landlord and Lender evidence of the payment of the full premium therefor or installment then due at least thirty (30) days prior to the expiration date of such policy, and Tenant shall deliver evidence of insurance acceptable to Landlord and Lender or, if requested by Landlord or Lender, certified copies of all policies required within thirty (30) days prior to the expiration date of such policy.

(e) Anything in this Paragraph 16 to the contrary notwithstanding, any insurance which Tenant is required to obtain pursuant to Paragraph 16(a) may be carried under a "blanket" or umbrella policy or policies covering other properties or liabilities of Tenant. The amount of the total insurance allocated to the Leased Premises, which amount shall be not less than the amounts required pursuant to this Paragraph 16, shall be specified either (i) in each such "blanket" or umbrella policy or (ii) in a written statement, which Tenant shall deliver to Landlord, from the insurer thereunder.

(f) Tenant shall promptly comply with and conform to (i) all provisions of each insurance policy required by this Paragraph 16 and (ii) all requirements of the insurers thereunder applicable to any of the Leased Premises or to the use, manner of use, occupancy, possession, operation, maintenance, alteration or repair of any of the Leased Premises, even if such compliance necessitates Alterations or results in interference with the use or enjoyment of any of the Leased Premises.

(g) Tenant shall not carry separate insurance concurrent in form or contributing in the event of a Casualty with that required in this Paragraph 16 unless (i) Landlord and Lender are included therein as named insureds, with loss payable as provided herein, and (ii) such separate insurance complies with the other provisions of this Paragraph 16. Tenant shall immediately notify Landlord of such separate insurance. However, Tenant is permitted to carry insurance limits in excess of the amounts required by Paragraph 16 for Tenant's own protection and Tenant is not required to include Landlord and Lender as named insureds as respects these excess insurances.

(h) All policies except for Worker's Compensation Insurance shall contain effective waivers by the carrier against all claims for insurance premiums against Landlord and shall contain full waivers of subrogation against the Landlord. With regard to Worker's

Compensation Insurance, a waiver of subrogation will be provided to the extent reasonably commercially available.

17. Casualty and Condemnation.

(a) Subject to Paragraph 17(b) and the immediately following sentence, Landlord and/or Lender shall be entitled to adjust, collect and compromise insurance claims which relate to any Casualty involving property damage to the Leased Premises. Notwithstanding anything in this Lease to the contrary, Tenant shall be entitled to adjust, collect and compromise all insurance claims which relate to: (i) the Business Income/Interruption Insurance provided for in Paragraph 16(a)(v), subject, however, to Landlord's rights to Rent; (ii) Tenant's Equipment; and (iii) any other insurance claim not involving property damage to the Leased Premises.

(b) If any Casualty in excess of Fifty Thousand Dollars ($50,000) occurs, Tenant shall give Landlord and Lender immediate notice thereof. Except as specifically provided for in the following sentence, Landlord and Lender are hereby authorized to adjust, collect and compromise, in their discretion and upon notice to Tenant (except that no notice to Tenant shall be required if a Monetary Event of Default has occurred and is continuing), all claims relating to any Casualty and to execute and deliver on behalf of Tenant all necessary proofs of loss, receipts, vouchers and releases required by the insurers. Provided that no Monetary Event of Default has occurred and is continuing, Tenant shall be entitled to adjust, collect and compromise any Net Award that is less than Fifty Thousand Dollars ($50,000) without any notice to or consent of Landlord or Lender and shall be entitled to participate with Landlord and Lender in any adjustment, collection and compromise of the Net Award payable in connection with a Casualty that is reasonably estimated by Landlord and Lender to be more than Fifty Thousand Dollars ($50,000). Tenant agrees to sign, upon the request of Landlord or Lender, all such proofs of loss, receipts, vouchers and releases. If Landlord or Lender so requests, Tenant shall adjust, collect and compromise any and all such claims equal to or in excess of Fifty Thousand Dollars ($50,000), and Landlord and Lender shall have the right to join with Tenant therein. Any adjustment, settlement or compromise of any such claim equal to or in excess of Fifty Thousand Dollars ($50,000) shall be subject to the prior written approval of Landlord and Lender, and Landlord and Lender shall have the right to prosecute or contest, or to require Tenant to prosecute or contest, any such claim, adjustment, settlement or compromise. Each insurer is hereby authorized and directed to make payment under said policies in excess of Fifty Thousand Dollars ($50,000), directly to Landlord or, if required by the Mortgage, to Lender instead of to Landlord and Tenant jointly. Tenant hereby appoints each of Landlord and Lender as Tenant's attorneys-in-fact to endorse any draft for payments to be made to Landlord and/or Lender. Any payment of a Net Award of Fifty Thousand Dollars ($50,000) or less shall be paid directly to Tenant by the insurance company.

(c) Tenant, immediately upon receiving a Condemnation Notice, shall notify Landlord and Lender thereof. If Landlord receives a Condemnation Notice, Landlord shall give Tenant and Lender prompt notice thereof. Except as specifically provided in the following sentence, Landlord and Lender are authorized to collect, settle and compromise, in their discretion (and, if no Monetary Event of Default exists, upon notice to Tenant), the amount of any Net Award. Provided that no Monetary Event of Default has occurred and is continuing,

Tenant shall be entitled to participate with Landlord and Lender in any Condemnation proceeding or negotiations under threat thereof and to contest the Condemnation or the amount of the Net Award therefor. No agreement with any condemnor in settlement or under threat of any Condemnation shall be made by Tenant without the written consent of Landlord and Lender. Subject to the provisions of this Paragraph 17(c), Tenant hereby irrevocably assigns to Landlord any award or payment to which Tenant is or may be entitled by reason of any Condemnation, whether the same shall be paid or payable for Tenant's leasehold interest hereunder or otherwise. Nothing in this Lease shall, however, impair Tenant's right to any award or payment on account of Tenant's Equipment, moving expenses or loss of business, if available, to the extent that and so long as (i) Tenant shall have the right to make, and does make, a separate claim therefor against the condemnor and (ii) such claim does not in any way reduce either the amount of the award otherwise payable to Landlord for the Condemnation of Landlord's fee interest in the Leased Premises or the amount of the award (if any) otherwise payable for the Condemnation of Tenant's leasehold interest hereunder.

(d) If any Partial Casualty (whether or not insured against) or Partial Condemnation shall occur, this Lease shall continue, notwithstanding such event, and there shall be no abatement or reduction of any Monetary Obligations, except as provided in Paragraph 17(e) and 19(c). Promptly after such Partial Casualty or Partial Condemnation, Tenant, as required in Paragraph 12(a), shall commence and diligently continue to restore the Leased Premises as nearly as possible to their value, condition and character immediately prior to such event. Any Net Award of such Partial Casualty or Partial Condemnation payable to Landlord or Lender shall be made available to Tenant for restoration as promptly as practicable in accordance with and subject to the provisions of Paragraph 19(a). If any Casualty or Condemnation which constitutes an Early Termination Event shall occur, Tenant shall comply with the terms and conditions of Paragraph 18.

(e) In the event of a Requisition of any of the Leased Premises the Net Award payable by reason of such Requisition shall, at the election of Landlord, either be (i) retained by Landlord and credited against installments of Basic Rent for the period of such Requisition as the same shall become due and payable or (ii) paid to Tenant on a monthly basis in an amount equal to the installment of Basic Rent then due and payable until such Net Award has been applied in full or until the Term has expired, whichever first occurs. Any portion of such Net Award which is allocable to any period after the expiration of the Term shall be retained by Landlord.

18. Early Termination Events.

(a) If (i) the Leased Premises shall be taken in its entirety by a Taking or (ii) all or a substantial portion of the Leased Premises shall be damaged or destroyed by a Casualty or any substantial portion of the Leased Premises shall be taken by a Taking and, in the case of (i) above, Tenant certifies and covenants to Landlord that it will abandon its operations at the Leased Premises for three (3) years following the date of the Taking or Casualty (except that no such certification and covenant shall be required if Tenant notifies Landlord that it is electing to make an offer to terminate this Lease for an Early Termination Amount equal to [INTENTIONALLY OMITTED]), as the case may be (each of the events described in the above clauses (i) and (ii) shall hereinafter be referred to as an "Early Termination Event"), then (x) in the case of (i) above, Tenant shall be obligated, within thirty (30) days after Tenant receives a

Condemnation Notice and (y) in the case of (ii) above, Tenant shall have the option, within thirty (30) days after Tenant receives a Condemnation Notice or thirty (30) days after the Casualty, as the case may be, to give to Landlord written notice of the Tenant's offer to terminate this Lease (an "Early Termination Notice") in the form described in Paragraph 18(b). Notwithstanding anything in this Lease to the contrary, the provisions of this Paragraph 18(a) shall not be applicable if the Net Award received by Landlord is equal to or greater than [INTENTIONALLY OMITTED], it being agreed that Tenant shall have the right to provide funds in such amount as may be necessary to make the actual amount of the Net Award received by Landlord as a result of the Casualty or Taking equal to [INTENTIONALLY OMITTED].

(b) An Early Termination Notice shall contain (i) notice of Tenant's intention to terminate this Lease on the first Basic Rent Payment Date (the "Early Termination Date") which occurs at least sixty (60) days after the date of receipt ("Notice Receipt Date") by Landlord of the Early Termination Notice, (ii) a binding and irrevocable offer of Tenant to pay the Early Termination Amount and (iii) if the Early Termination Event is an event described, in Paragraph 18(a)(ii), the certification and covenants described in the foregoing Paragraph 18(a) and a certified resolution of the Board of Directors of Tenant authorizing the same (unless Tenant elects to pay an Early Termination Amount equal to [INTENTIONALLY OMITTED].

(c) If Landlord shall reject such offer to terminate this Lease by written notice to Tenant (a "Rejection"), which Rejection shall contain the written consent of Lender, not later than forty-five (45) days following the Notice Receipt Date, then this Lease shall terminate as of the Early Termination Date; provided, however, that, if Tenant has not satisfied all Monetary Obligations and all other obligations and liabilities under this Lease which have arisen on or prior to the Early Termination Date (collectively, "Remaining Obligations") on the Early Termination Date, then Landlord may, at its option, extend the date on which this Lease may terminate to a date which is no later than the first Basic Rent Payment Date after the Early Termination Date on which Tenant has satisfied all Remaining Obligations. Upon such termination (i) all obligations of Tenant hereunder shall terminate except for any Surviving Obligations, (ii) Tenant shall immediately vacate and shall have no further right, title or interest in or to any of the Leased Premises and (iii) the Net Award shall be retained by Landlord. Notwithstanding anything to the contrary hereinabove contained, if Tenant shall have received a Rejection and, on the date when this Lease would otherwise terminate as provided above, Landlord shall not have received the full amount of the Net Award payable by reason of the applicable Early Termination Event due to any action by Tenant, then the date on which this Lease is to terminate automatically shall be extended to the first Basic Rent Payment Date after the receipt by Landlord of the full amount of the Net Award; provided, however, that, if Tenant has not satisfied all Remaining Obligations on such date, then Landlord may, at its option, extend the date on which this Lease may terminate to a date which is no later than the first Basic Rent Payment Date after such date on which Tenant has satisfied all such Remaining Obligations.

(d) Unless Tenant shall have received a Rejection not later than the forty-fifth (45th) day following the Notice Receipt Date, Landlord shall be conclusively presumed to have accepted such offer. If such offer is accepted by Landlord then, on the Early Termination Date, Tenant shall pay to Landlord the Early Termination Amount and all Remaining Obligations and, if requested by Tenant, Landlord and Lender shall (i) convey to Tenant the Leased Premises or

the remaining portion thereof, if any, and (ii) pay to or assign to Tenant their entire interest in and to the Net Award, all in accordance with Paragraph 20.

19. Restoration; Reduction of Rent.

(a) The Net Award shall be made available by Landlord for the restoration of the Leased Premises, and, if the Net Award is less than [INTENTIONALLY OMITTED] and at the date of payment no Monetary Event of Default exists, the Net Award shall be paid directly to Tenant in which event Tenant shall comply with the provisions of Paragraph 13(b) and Paragraph 19(a)(iii) in connection with such restoration. If the Net Award is [INTENTIONALLY OMITTED] or more, Landlord (or Lender if required by any Mortgage) shall hold such Net Award in a fund (the "Restoration Fund") and disburse amounts from the Restoration Fund only in accordance with the following conditions:

(i) prior to commencement of restoration, the architects, contracts, contractors, plans and specifications for the restoration shall have been reasonably approved by Landlord and Lender if the cost of restoration exceeds [INTENTIONALLY OMITTED] as soon as reasonably practical;

(ii) at the time of any disbursement, no Event of Default shall exist and no mechanics' or materialmen's liens shall have been filed against any of the Leased Premises and remain undischarged;

(iii) disbursements shall be made from time to time in an amount not exceeding the cost of the work completed since the last disbursement, upon receipt of (A) satisfactory evidence, including architects' certificates, of the stage of completion, the estimated total cost of completion and performance of the work to date in a good and workmanlike manner in accordance with the contracts, plans and specifications, (B) waivers of mechanics liens, (C) contractors' and subcontractors' sworn statements as to completed work and the cost thereof for which payment is requested, (D) other evidence of cost and payment so that Landlord can verify that the amounts disbursed from time to time are represented by work that is completed, in place and free and clear of mechanics' and materialmen's lien claims and (E) an endorsement to Landlord's and Lender's title insurance policies insuring against any liens arising from the restoration; (iv) each request for disbursement shall be accompanied by a certificate of Tenant, signed by the president or a vice president of Tenant, describing the work for which payment is requested, stating the cost incurred in connection therewith, stating that Tenant has not previously received payment for such work and, upon completion of the work, also stating that the work has been fully completed and complies with the applicable requirements of this Lease; (v) the Restoration Fund shall be held in a separate account and invested in any of the following investments and for such maturities as Landlord and Tenant shall agree-obligations of the United States, its agencies, or United States Government sponsored enterprises or obligations, the principal of and interest on which are Guaranteed by the United States or its agencies or obligations of a state, a territory, or a possession of the United States, or any political subdivision of any of the foregoing or of the District of Columbia, which investment shall be Graded in the highest three (3) major Grades as determined by at least one (1) national rating service, or banker's

acceptances, commercial accounts, certificates of deposit, or depository receipts issued by a bank, trust company, savings and loan association, savings bank, credit union or other financial institution whose deposits are, as appropriate, insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration or any successor entity, which investment shall be rated at the time of purchase within the two (2) highest classifications established by at least one (1) national rating service, and which matures within one hundred eighty (180) days; and (vi) such other reasonable conditions as Landlord or Lender may impose.

(b) Prior to commencement of restoration and at any time during restoration, if the estimated cost of completing the restoration work free and clear of all liens, as determined by Landlord, exceeds the amount of the Net Award available for such restoration, the Tenant shall provide to Landlord and Lender assurances reasonably satisfactory to Landlord and Lender of the availability of funds necessary to complete such restoration work. Any sums deposited by Tenant in the Restoration Fund which remain in the Restoration Fund upon completion of restoration shall be refunded to Tenant. For purposes of determining the source of funds with respect to the disposition of funds remaining after the completion of restoration, the Net Award shall be deemed to be disbursed prior to any amount added by Tenant.

(c) If any sum remains in the Restoration Fund after completion of the restoration and any refund to Tenant pursuant to Paragraph 19(b), such sum (the "Remaining Sum") shall be retained by Landlord or, if required by a Note or Mortgage, paid by Landlord to a Lender. If the Remaining Sum is (i) retained by Landlord, that portion of each installment of Basic Rent payable on or after the Retention Date shall be reduced by the amount, if any, of the Remaining Sum not required to be paid to Lender, or (ii) paid to Lender, then each installment of Basic Rent thereafter payable shall be reduced in the same amount as payments are reduced under any Note if the Loan corresponding to such Note is reamortized to reflect such payment, in each case until such Remaining Sum has been applied in full or until the Term has expired, whichever occurs first. Upon the expiration of the Term, any portion of the Remaining Sum which has not been so applied shall be retained by Landlord.

20. Procedures Upon Purchase by Tenant. [INTENTIONALLY OMITTED].

21. Assignment and Subletting; Prohibition against Leasehold Financing.

(a) Tenant shall have the right, upon thirty (30) days prior written notice to Landlord, with no consent of Landlord whatsoever being required or necessary ("Preapproved Assignment") to assign this Lease in any of the circumstances set forth in subparagraphs (i) and (ii) below;

(i) to any Person ("Preapproved Assignee") (whether by operation of law or in connection with the transfer or sale of all or substantially all of Tenant's business or the merger or consolidation of Tenant or similar transaction) which, immediately following such assignment has a publicly traded unsecured senior debt rating of "Baa2" or better from Moody's Investors Services, Inc. or a rating of "BBB" or better from Standard & Poor's Corporation, and in the event all of such rating agencies

cease to furnish such ratings, then a comparable rating by any rating agency reasonably acceptable to Landlord and Lender; or

(ii) to an Affiliate of Tenant.

(b) Tenant shall have the right, upon thirty (30) days prior written notice to Landlord and Lender, to sublet (i) up to but not in excess of twenty-five percent (25%) of the leasable space in the Structures to any Person, or (ii) in excess of twenty-five percent (25%) of the leasable space within the Structures to any Person who has, immediately following such sublease, the debt rating described in Paragraph (a)(i) above, or (iii) to an Affiliate of Tenant, in any such case with no consent of Landlord whatsoever being required or necessary with respect thereto ("Preapproved Sublet").

(c) Except as provided in Paragraphs 21(a) and (b) above, Tenant shall not have the right to assign this Lease or its interest herein or to sublease more than twenty-five percent (25%) of the leasable space in the Structures to any Person, without having first obtained the prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed, subject, however, to subparagraphs (i) and (ii) below.

(i) If the proposed assignment will be to a Person which is not an Affiliate of Tenant's or to a Preapproved Assignee, Landlord shall have the right to consider the following criteria as they relate to the proposed assignee:

(A) its credit history;

(B) its capital structure, net worth and unsecured senior debt rating;

(C) its management and real estate management record;

(D) its operating history;

(E) its intended use of the Leased Premises; and

(F) other factors associated with the proposed assignee's business as it relates to the use of the Leased Premises, including potential environmental concerns and liabilities.

(ii) In exercising its right of approval under this Paragraph 21(c) with respect to a sublease which is not a Preapproved Sublet, Landlord shall limit its consideration to whether or not the proposed sublessee, by virtue of its business, is significantly more likely to expose the Leased Premises to a higher risk of Environmental Violation than Tenant in Tenant's use of the Leased Premises prior to the date of such subletting.

(d) Any Preapproved Assignee or other assignee under any assignment to which Landlord has consented shall expressly assume all the obligations of Tenant hereunder pursuant to a written instrument delivered to Tenant at the time of such assignment. In addition,

within ten (10) days after execution of any assignment, Tenant shall deliver to Landlord and Lender a conformed copy thereof.

(e) No sublease or assignment entered into in accordance with the provisions of this Paragraph 21 shall affect or reduce any obligations of Tenant or rights of Landlord hereunder, and all obligations of Tenant hereunder shall continue in full effect as the obligations of a principal and not a guarantor or surety, as though no subletting or assignment had been made.

(f) With respect to any Preapproved Assignment or Preapproved Sublet, Tenant shall provide to Landlord information reasonably required by Landlord to establish that any proposed Preapproved Assignment or Preapproved Sublet satisfies the criteria set forth above, it being agreed that Tenant shall not be obligated to disclose to Landlord any confidential or proprietary information.

(g) As of the date hereof, portions of the Structures are subject to certain leases ("Existing Leases") described in Exhibit "F". Tenant covenants and agrees that it has provided to Landlord true and correct copies of the Existing Leases, that it will not extend the term of any Existing Lease (except pursuant to any option contained therein that is exercised by the tenant thereunder) but will enter into a new lease with any Tenant that desires to extend its Existing Lease, and that any such new lease will expressly provide that it is subject and subordinate to the terms of this Lease and the Mortgage. It is understood that the Leased Premises include the space leased under the Existing Leases.

(h) As security for performance of its obligations under this Lease, Tenant hereby grants, conveys and assigns to Landlord all right, title and interest of Tenant in and to all Existing Leases and any subleases hereinafter entered into for any or all of the Leased Premises (the Existing Leases and future subleases, collectively, the "Subleases"), any and all extensions, modifications and renewals thereof and all rents, issues and profits therefrom. Landlord hereby grants to Tenant a license to collect and enjoy all rents and other sums of money payable under any Sublease of any of the Leased Premises; provided, however, that following the occurrence of any Event of Default Landlord shall have the absolute right at any time upon notice to Tenant and any subtenants to revoke said license and to collect such rents and sums of money and to retain the same. If Landlord collects such rents and sums of money, Tenant shall receive a credit against installments of Basic Rent or against damages (as the case may be) equal to any basic rent collected by Landlord under the Subleases, less reasonable Costs incurred by Landlord in connection with collecting from defaulting tenants or subtenants which are not paid or reimbursed by such tenants. Tenant shall not consent to, cause or allow any extension of the terms of any of the Subleases (except to the extent that such Subleases already contain options to extend) or any reduction in the rentals payable thereunder, without the prior written approval of Landlord, which consent shall not be unreasonably withheld. In addition, Tenant shall not accept any rents more than thirty (30) days in advance of the accrual thereof (other than security deposits and first month's rent), permit anything to be done, the doing of which, or omit or refrain from doing anything, the omission of which, will or could be a breach of or default in the terms of any of the Subleases.

(i) Tenant shall not have the power to mortgage, pledge or otherwise encumber its interest under this Lease or any Sublease, and any such mortgage, pledge or encumbrance made in violation of this Paragraph 21 shall be void.

(j) Subject to Tenant's rights under Paragraph 9(a) and Paragraph 35, Landlord may sell or transfer the Leased Premises at any time without Tenant's consent to any third party (each a "Third Party Purchaser"). In the event of any such transfer, Tenant shall attorn to any Third Party Purchaser as Landlord so long as such Third Party Purchaser assumes in writing the obligations of Landlord hereunder and Third Party Purchaser and Landlord notify Tenant in writing of such transfer. At the request of Landlord, Tenant will execute such documents confirming the agreement referred to above and such other agreements as Landlord may reasonably request, provided that such agreements do not increase the liabilities and obligations of Tenant hereunder.

22. Events of Default.

(a) The occurrence of any one or more of the following (after expiration of any applicable cure period as provided in Paragraph 22(c)) shall, at the sole option of Landlord, constitute an "Event of Default" under this Lease:

(i) Subject to the provisions of Paragraph 29(a), a failure by Tenant to make any payment of any Monetary Obligation, regardless of the reason for such failure;

(ii) Subject to the provisions of Paragraph 14, a failure by Tenant duly to perform and observe, or a violation or breach of, any other provision hereof in any material respect not otherwise specifically mentioned in this Paragraph 22(a); provided, however, that any failure to provide the insurance required by Paragraph 16 (except earthquake and flood insurance if such coverages are not available in the Southern California area) or any uncured Environmental Violation with respect to the Leased Premises shall be deemed to be material;

(iii) any representation or warranty made by Tenant herein or in any certificate, demand or request made pursuant hereto proves to be incorrect, now or hereafter, in any material respect;

(iv) a default beyond any applicable cure period by Tenant in any payment of principal or interest on any obligations for borrowed money having an original principal balance of $10,000,000 or more in the aggregate, or in the performance of any other provision contained in any instrument under which any such obligation is created or secured (including the breach of any covenant thereunder), if an effect of such default is to cause, or permit any Person to cause, such obligation to become due prior to its stated maturity;

(v) a default by Tenant beyond any applicable cure period in the payment of rent or any other monetary obligation under any other leases in the United States with rental obligations over the terms thereof of $5,000,000 or more in the aggregate;

(vi) a final, non-appealable judgment or judgments for the payment of money in excess of $15,000,000 in the aggregate shall be rendered against Tenant and the same shall remain undischarged for a period of sixty (60) consecutive days;

(vii) a Covenant Event of Default shall exist;

(viii) Tenant shall (A) voluntarily be adjudicated a bankrupt or insolvent, (B) seek or consent to the appointment of a receiver or trustee for itself or for the Leased Premises, (C) file a petition seeking relief under the bankruptcy or other similar laws of the United States, any state or any jurisdiction, (D) make a general assignment for the benefit of creditors, or (E) be unable to pay its debts as they mature;

(ix) a court shall enter an order, judgment or decree appointing, without the consent of Tenant, a receiver or trustee for it or for any of the Leased Premises or approving a petition filed against Tenant which seeks relief under the bankruptcy or other similar laws of the United States, any state or any jurisdiction, and such order, judgment or decree shall remain undischarged or unstayed ninety (90) days after it is entered;

(x) either of the primary Structures shall have been vacated for one hundred twenty (120) days or abandoned or Tenant shall fail to occupy the Leased Premises for normal business operations within sixty (60) days after the Occupancy Date;

(xi) Tenant shall be liquidated or dissolved or shall begin proceedings towards its liquidation or dissolution except in connection with a Preapproved Assignment pursuant to the terms of Paragraph 21(a) of this Lease;

(xii) the estate or interest of Tenant in any of the Leased Premises shall be levied upon or attached in any proceeding and such estate or interest is about to be sold or transferred or such process shall not be vacated or discharged within ninety (90) days after it is made;

(xiii) a failure by Tenant to perform or observe, or a violation or breach of, the Acknowledgment, Subordination, Non-Disturbance and Attornment Agreement of even date (the "Subordination Agreement") among Landlord, Initial Lender and Tenant or any other document between Tenant and Lender, if such failure, violation or breach gives rise to a default beyond any applicable cure period with respect to any Loan;

(xiv) Tenant shall sell or transfer all or substantially all of its assets, except to a Preapproved Assignee to whom this Lease has been assigned pursuant to the terms of Paragraph 21(a)(i) or except in a cash transaction which results in the retention by Tenant of all of the proceeds of such sale (net of normal and customary closing costs);

(xv) an Event of Default (as defined in the Construction Management Agreement) shall exist under the Construction Management Agreement beyond any applicable cure period;

(xvi) Tenant shall fail to restore any amounts drawn under the Letter of Credit within one hundred twenty (120) days following the date of such draw or shall fail

to deliver to Landlord any Letter of Credit required under Paragraph 29 within the applicable time period specified therein; or

(xvii) The Initial Lender shall draw all of the Letter of Credit following the occurrence of any of the events set forth in Paragraph 37(a)(i), (ii), (iii), (iv) or (v).

(b) No notice or cure period shall be required in any one or more of the following events:

(A) the occurrence of an Event of Default under clause (i) (except as otherwise set forth below), (iii), (iv), (v), (vi), (vii), (viii), (ix), (x), (xi), (xii), (xiii), (xiv), (xv), (xvi) or (xvii) of Paragraph 22(a); or

(B) the default consists of a failure to provide any insurance required by Paragraph 16 except for the failure to provide earthquake or flood insurance if the same is not available or an assignment or sublease entered into in violation of Paragraph 21; or

(C) the default is such that any delay in the exercise of a remedy by Landlord would reasonably be expected to cause irreparable harm to Landlord.

(c) If the default consists of the failure to pay any Monetary Obligation under clause (i) of Paragraph 22(a), the applicable cure period shall be five (5) Business Days from the date on which notice is given, but Landlord shall not be obligated to give notice of, or allow any cure period for, any such default more than twice during the Term. Subject to the limitation set forth in the following sentence, if the default consists of a default under clause (ii) of Paragraph 22(a), other than the events specified in clauses (B) and (C) of Paragraph 22(b), the applicable cure period shall be thirty (30) days from the date on which notice is given or, if the default cannot be cured within such thirty (30) day period and delay in the exercise of a remedy would not (in Landlord's reasonable judgment) cause any material adverse harm to Landlord or any of the Leased Premises, the cure period shall be extended for the period required to cure the default (but such cure period, including any extension, shall not in the aggregate exceed sixty (60) days, provided that Tenant shall commence to cure the default within the said thirty-day period and shall actively, diligently and in good faith proceed with and continue the curing of such default. Notwithstanding anything in this Paragraph 22 to the contrary, in the event of an Environmental Violation such cure period shall not be limited to said sixty (60) day period), provided that Tenant shall commence to cure the default within the said thirty-day period, shall actively, diligently and in good faith proceed with and continue the curing of the Environmental Violation until it shall be fully cured and, for so long as the Initial Loan is outstanding, shall have deposited an amount sufficient in Initial Lender's reasonable judgment to cure such Event of Default in an escrow account satisfactory to Initial Lender. Funds so deposited with Initial Lender shall be disbursed to cure such Event of Default as provided in the Subordination Agreement. Notwithstanding the foregoing, so long as the Initial Loan is in effect Landlord shall not be obligated to give Tenant notice and an opportunity to cure any default under Paragraph 22(a)(ii) more than two times.

23. Remedies and Damages Upon Default.

(a) If an Event of Default shall have occurred and is continuing, Landlord shall have the right, at its sole option, then or at any time thereafter, to exercise its remedies and to collect damages from Tenant in accordance with this Paragraph 23, without demand upon or notice to Tenant except as otherwise provided in Paragraph 22(c) and this Paragraph 23. Upon the occurrence of an Event of Default, Landlord's remedies include the right to elect to terminate the Lease or keep the Lease in effect and collect the damages specified below.

(b) If Landlord elects to terminate the Lease, Landlord shall give Tenant notice of Landlord's intention to terminate this Lease on a date specified in such notice. Upon such date, this Lease, the estate hereby granted and all rights of Tenant hereunder shall expire and terminate. Upon such termination, Tenant shall immediately surrender and deliver possession of the Leased Premises to Landlord in accordance with Paragraph 26. If Tenant does not so surrender and deliver possession of the Leased Premises, Landlord may re-enter and repossess the Leased Premises, as provided in Paragraph 23(f) below.

(c) In addition to its other rights under this Lease, Landlord has the remedy described in California Civil Code Section 1951.4 which provides substantially as follows: Landlord may continue the Lease in effect after Tenant's breach and abandonment and recover the Rent as it becomes due, provided Tenant has the right to sublet or assign, subject to the limitations specified in Paragraph 21. In accordance with California Civil Code Section 1951.4 (or any successor statute), Tenant acknowledges that in the event Tenant breaches this Lease and abandoned the Leased Premises, this Lease shall continue in effect for so long as Landlord does not terminate Tenant's right to possession, and Landlord may enforce all its rights and remedies under this Lease, including the right to recover the rent as it becomes due under this Lease. Acts of maintenance or preservation or efforts to relet the Leased Premises or the appointment of a receiver upon initiative of Landlord to protect Landlord's interest under this Lease shall not constitute a termination of Tenant's right to possession.

(d) If Landlord elects, pursuant to Paragraph 23(b), to terminate this Lease upon a default by Tenant, Landlord may collect from Tenant damages computed in accordance with the following provisions in addition to Landlord's other remedies under this Lease:

(i) the worth at the time of award of any unpaid Rent which has been earned at the time of such termination; plus

(ii) the worth at the time of award of the amount by which any unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(iii) the worth at the time of award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided, plus

(iv) any other Cost necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom

including, without limitation, brokerage commissions, the cost of repairing and reletting the Leased Premises and reasonable attorneys' fees; plus

(v) at Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable state law. Damages shall be due and payable from the date of termination.

For the purposes of clauses (i) and (ii) of this Paragraph, the "worth at the time of award" shall be computed by adding interest at the Default Rate (as specified in Paragraph 7(a)(iv)) to the past due Rent. For the purposes of clause (iii) of this Paragraph 23(d), the "worth at the time of award" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of the award, plus one percent (1%).

(e) If, in the Event of a Default by Tenant, Landlord elects to keep the Lease in effect, Landlord may, to the extent permitted by applicable Law, declare by notice to Tenant the entire Basic Rent (in the amount of Basic Rent then in effect) for the remainder of the then current Term to be immediately due and payable. Tenant shall immediately pay to Landlord all such Basic Rent discounted to its Present Value, all accrued Rent then due and unpaid, all other Monetary Obligations which are then due and unpaid and all Monetary Obligations which arise or become due by reason of such Event of Default (including any Costs of Landlord). Upon receipt by Landlord of all such accelerated Basic Rent and Monetary Obligations, this Lease shall remain in full force and effect and Tenant shall have the right to possession of the Leased Premises from the date of such receipt by Landlord to the end of the Term, and subject to all the provisions of this Lease, including the obligation to pay all increases in Basic Rent and all Monetary Obligations that subsequently become due, except that no Basic Rent which has been prepaid under this Lease shall be due thereafter during the Term.

(f) Upon the occurrence of an Event of Default, Landlord shall also have the right, with or without terminating this Lease, to enter the Leased Premises in accordance with applicable Law and remove all persons and personal property from the Leased Premises, such property being removed and stored in a public warehouse or elsewhere at Tenant's sole cost and expense. No removal by Landlord of any persons or property in the Leased Premises shall constitute an election to terminate this Lease. Such an election to terminate may only be made by Landlord in writing, or decreed by a court of competent jurisdiction. Landlord's right of entry shall include the right to remodel the Leased Premises and re-let the Leased Premises. All Costs incurred in such entry and re-letting shall be paid by Tenant. Rents collected by Landlord from any other tenant which occupies the Leased Premises shall be offset against the amounts owed to Landlord by Tenant. Tenant shall be responsible for any amounts not recovered by Landlord from any other tenant. Any payments made by Tenant shall be credited to the amounts owed by Tenant in the sole order and discretion of Landlord, irrespective of any designation or request by Tenant. No entry by Landlord shall prevent Landlord from later terminating the Lease by written notice.

(g) Landlord shall be entitled to draw on the Letter of Credit and apply the proceeds therefrom to any amounts due under Paragraph 23(d) hereof if this Lease shall be terminated, or, if this Lease shall remain in full force and effect, in the following order: (i) to

past due Basic Rent, (ii) to cure any other Monetary Event of Default and (iii) to installments of Basic Rent in inverse order of maturity, commencing with the last installment of the Term.

(h) Notwithstanding anything to the contrary herein contained, in lieu of or in addition to any of the foregoing remedies and damages, Landlord may exercise any remedies and collect any damages available to it at law or in equity. If Landlord is unable to obtain full satisfaction pursuant to the exercise of any remedy, it may pursue any other remedy which it has hereunder or at law or in equity.

(i) Landlord shall not be required to mitigate any of its damages hereunder unless required to by applicable Law. If any Law shall validly limit the amount of any damages provided for herein to an amount which is less than the amount agreed to herein, Landlord shall be entitled to the maximum amount available under such Law.

(j) No termination of this Lease, repossession or reletting of the Leased Premises, exercise of any remedy or collection of any damages pursuant to this Paragraph 23 shall relieve Tenant of any Surviving Obligations.

(k) WITH RESPECT TO ANY REMEDY OR PROCEEDING OF LANDLORD HEREUNDER, TENANT WAIVES ANY RIGHT TO A TRIAL BY JURY.

(l) Upon the occurrence of any Event of Default, Landlord shall have the right (but no obligation) to perform any act required of Tenant hereunder and, if performance of such act requires that Landlord enter the Leased Premises, Landlord may enter the Leased Premises for such purpose.

(m) No failure of Landlord (i) to insist at any time upon the strict performance of any provision of this Lease or (ii) to exercise any option, right, power or remedy contained in this Lease shall be construed as a waiver, modification or relinquishment thereof. A receipt by Landlord of any sum in satisfaction of any Monetary Obligation with knowledge of the breach of any provision hereof shall not be deemed a waiver of such breach, and no waiver by Landlord of any provision hereof shall be deemed to have been made unless expressed in a writing signed by Landlord.

(n) Tenant hereby waives and surrenders, for itself and all those claiming under it, including creditors of all kinds, (i) any right and privilege which it or any of them may have under any present or future Law to redeem any of the Leased Premises or to have a continuance of this Lease after termination of this Lease or of Tenant's right of occupancy or possession pursuant to any court order or any provision hereof, and (ii) the benefits of any present or future Law which exempts property from liability for debt or for distress for rent.

(o) Except as otherwise provided herein, all remedies are cumulative and concurrent and no remedy is exclusive of any other remedy. Each remedy may be exercised at any time an Event of Default has occurred and is continuing and may be exercised from time to time. No remedy shall be exhausted by any exercise thereof.

24. Notices. All notices, demands, requests, consents, approvals, offers, statements and other instruments or communications required or permitted to be given pursuant to the

provisions of this Lease shall be in writing and shall be deemed to have been given for all purposes when delivered in person or by Federal Express or other reliable 24-hour delivery service or five (5) Business Days after being deposited in the United States mail, by registered or certified mail, return receipt requested, postage prepaid, addressed to the other party at its address stated above. A copy of any notice given by Tenant to Landlord shall simultaneously be given by Tenant to Reed Smith Shaw & McClay, 2500 One Liberty Place, Philadelphia, PA 19103, Attention-Chairman, Real Estate Department. For the purposes of this Paragraph, any party may substitute another address stated above (or substituted by a previous notice) for its address by giving fifteen (15) days' notice of the new address to the other party, in the manner provided above.

25. Estoppel Certificates. Landlord or Tenant, as the case may be, shall, at any time upon not less than ten (10) days' prior written request by the other party, deliver to the other party a statement ("Tenant Estoppel Certificate") in writing, executed by the president or a vice president of Landlord or Tenant, as the case may be, certifying that:

(a) Except as otherwise specified, this Lease is unmodified and in full force and effect;

(b) The Basic Rent, Additional Rent and all other Monetary Obligations have been paid to the dates stated in such certificate;

(c) The certifying party has not filed a voluntary or involuntary bankruptcy petition;

(d) To the knowledge of the signer, based on reasonable inquiry and except as may otherwise be specified, no default by either Landlord or Tenant exists under this Lease;

(e) Landlord or Tenant, as the case may be, has performed all of its obligations under the Lease with respect to the construction of the Tenant Improvements;

(f) The current amount of the Letter of Credit is as stated in such certificate; and

(g) The correctness of the other matters specified in the form of Tenant Estoppel Certificate attached hereto as Exhibit "H".

26. Surrender. Upon the expiration or earlier termination of this Lease, Tenant shall peaceably leave and surrender the Leased Premises to Landlord in the same condition in which the Leased Premises was at the Occupancy Date, except as repaired, rebuilt, restored, altered, replaced or added to as permitted or required by any provision of this Lease, and except for ordinary wear and tear. Upon such surrender, Tenant shall (a) remove from the Leased Premises all property which is owned by Tenant or third parties other than Landlord and (b) repair any damage caused by such removal. Property of Tenant or such third party not so removed shall become the property of Landlord, and Landlord may thereafter cause such property to be removed from the Leased Premises. The cost of removing and disposing of such property and repairing any damage to any of the Leased Premises caused by such removal shall be paid by Tenant to Landlord upon demand. Landlord shall not in any manner or to any extent be

obligated to reimburse Tenant for any such property which becomes the property of Landlord pursuant to this Paragraph 26.

27. No Merger of Title. There shall be no merger of the leasehold estate created by this Lease with the fee estate in any of the Leased Premises by reason of the fact that the same Person may acquire or hold or own, directly or indirectly, (a) the leasehold estate created hereby or any part thereof or interest therein and (b) the fee estate in any of the Leased Premises or any part thereof or interest therein, unless and until all Persons having any interest in the interests described in clauses (a) and (b) above which are sought to be merged shall join in a written instrument effecting such merger and shall duly record the same.

28. Books and Records. Tenant shall furnish Landlord with the following:

(i) As soon as available and in any event within sixty (60) days after the end of each quarterly accounting period in each fiscal year of Tenant (with the exception of the last quarter), Tenant shall furnish copies of a consolidated balance sheet of Tenant and its consolidated affiliates as of the last day of such quarterly accounting period, and copies of the related consolidated statements of income and of changes in shareholders' equity and in financial position of Tenant and its consolidated affiliates for such quarterly accounting period and for the elapsed portion of the current fiscal year ended with the last day of such quarterly accounting period. All such statements shall be prepared in accordance with GAAP (except that interim quarterly financials are not required to include notes) and, if Tenant ceases to be a publicly traded company, certified as complete and correct in all material respects by the chief financial officer of Tenant (subject to year-end audit adjustments).

(ii) As soon as available and in any event within one hundred twenty (120) days after the end of each fiscal year of Tenant, Tenant shall furnish copies of a consolidated balance sheet of Tenant and its consolidated Affiliates as of the end of such fiscal year, and copies of the related consolidated statements of income and of changes in shareholders' equity and in financial position of Tenant and its consolidated affiliates for such fiscal year. All such statements shall be in reasonable detail and with appropriate notes, if any, and be prepared in accordance with GAAP and state in comparative form the corresponding figures as of the end of and for the previous fiscal year, and shall be accompanied by an opinion or report thereon, in scope and substance satisfactory to Landlord, by Tenant's nationally recognized independent certified public accountants.

(iii) Tenant shall furnish copies of all regular and periodic reports or filings, including without limitation Form 10-K and Form 10-Q, which Tenant or any Affiliate shall make or be required to file with the Securities and Exchange Commission or any other federal or state regulatory agency or with any municipal or other local body, and such other public, non-proprietary information relating to the business, affairs and financial condition of Tenant as Landlord may from time to time reasonably request.

(iv) As soon as available and in any event within one hundred twenty (120) days after the end of each fiscal year of Tenant, Tenant shall provide to Landlord and Lender unaudited financial statements on the Leased Premises which shall include

reasonably detailed information about the cost of operating, maintaining and repairing the Leased Premises. Such information shall include, without limitation, information about the cost of utilities, taxes, tenant improvement costs, landscaping, janitorial services and other similar services and shall be certified as complete and correct by the chief financial officer of Tenant and that such statements have been prepared in accordance with GAAP.

(v) Upon reasonable advance notice to Tenant, Landlord and Lender shall have the right to periodically visit the Leased Premises to meet with officers of Tenant for the purpose of discussing the operating history of the Leased Premises and the general condition of Tenant's business. At no time shall Tenant be obligated to disclose to Landlord, Lender or any third party any confidential or proprietary information about Tenant or Tenant's business. The scope and nature of the information to be so provided by Tenant to Landlord and/or Lender shall be limited to that which would be customarily provided to investment analysts employed by investment banking firms.

29. Security Deposit.

(a) Concurrently with the execution of this Lease, Tenant shall deliver to Landlord a Letter of Credit in the amount of [INTENTIONALLY OMITTED]. The Letter of Credit shall (subject to a reduction in the amount of the Letter of Credit as set forth in Paragraph 29(b)) remain in full force and effect until satisfaction of the Final Release Conditions (as hereinafter defined), or with respect to any Letter of Credit issued pursuant to the terms of Paragraph 29(e) or Paragraph 29(f), until satisfaction of the provisions for release set forth therein. The Letter of Credit shall be security for the payment by Tenant of the Rent and all other charges or payments to be paid hereunder and the performance of the covenants and obligations contained herein, and the Letter of credit shall be renewed at least thirty (30) days prior to any expiration thereof. In addition to its other rights and remedies under the Letter of Credit, Landlord shall have the right to draw on the Letter of Credit to pay any installment of Basic Rent not paid within three (3) Business Days after the due date thereof, and, with respect to the first three (3) (but in no event more than three (3)) such draws so long as the Letter of Credit remains in effect and Tenant replenishes any amount drawn under the Letter of Credit within one hundred twenty (120) days (but in any event at least thirty (30) days prior to the expiration thereof) after such draw no Event of Default shall exist by reason of any such draw.

[THE REMAINDER OF THIS PARAGRAPH INTENTIONALLY OMITTED].

30. Non-Recourse as to Landlord.

(a) Anything contained herein to the contrary notwithstanding, any claim based on or in respect of any liability of Landlord under this Lease shall be enforced only against the Leased Premises and not against any other assets, properties or funds of (a) Landlord or any party thereof, (b) any director, officer, general partner, shareholder, limited partner, employee or agent of Landlord or any general partner of Landlord, GENA:11 or GENA:12 or any of its general partners (or any legal representative, heir, estate, successor or assign of any thereof), (c) any predecessor or successor partnership or corporation (or other entity) of Landlord or any of its general partners, shareholders, officers, directors, employees or agents, either directly or through Landlord or its general partners, shareholders, officers, directors, employees or agents or

any predecessor or successor partnership or corporation (or other entity), or (d) any other Person (including Carey Property Advisors, Carey Fiduciary Advisors, Inc., W. P. Carey & Co. Inc., and any Person affiliated with any of the foregoing, or any director, officer, employee or agent of any thereof); provided, however, that Landlord shall at all times maintain an "Equity Interest" (as defined below) in the Leased Premises of at least the lesser of (1) twenty percent (20%) of the Fair Market Value of the Leased Premises or (2) Landlord's Cash Contribution ("Landlord's Minimum Equity"). If Landlord fails to maintain Landlord's Minimum Equity, the provisions of this Paragraph 30 limiting Tenant's right to recover damages from the Leased Premises as provided above shall cease to be of any force or effect and Tenant shall have the right to recover damages from any and all assets of Landlord. The term "Equity Interest" shall mean the difference between the Fair Market Value of the Leased Premises and the then outstanding principal amount of all Mortgages placed on the Leased Premises by Landlord. For purposes of this definition of Equity Interest, during the first five (5) years of the Term the Fair Market Value of the Leased Premises shall be equal to the Project Cost. In the event that the Leased Premises become part of a pool of properties securing the debt (the "Blanket Indebtedness") of one Person, Landlord's Equity Interest shall be equal to the difference between twenty percent (20%) of the Fair Market Value of the Leased Premises and the portion of the Blanket Indebtedness reasonably allocated to the Leased Premises by the Lender holding the Blanket Indebtedness.

(b) Nothing in this Paragraph 30 shall be construed as waiving or limiting any equitable remedies which Tenant may have against Landlord and/or any of the foregoing Persons by reason of any breach of this Lease by Landlord and/or such Persons.

31. Financing.

(a) If Landlord desires to obtain or refinance any Loan, Tenant shall negotiate in good faith with Landlord concerning any request made by any Lender or proposed Lender for changes to or modifications of this Lease; provided no such changes or modifications shall increase Tenant's obligations under this Lease. In particular, Tenant shall agree, upon request of Landlord, to supply any such Lender with such notices and information as Tenant is required to give to Landlord hereunder and to acknowledge that the rights of Landlord hereunder have been assigned by Landlord to such Lender and to consent to such financing if such consent is requested by such Lender. Tenant shall provide any other consent or statement and shall execute any and all other documents that such Lender reasonably requires in connection with such financing, including any environmental indemnity agreement and subordination, non-disturbance and attornment agreement, so long as the same do not adversely affect any right, benefit or privilege of Tenant under this Lease or materially increase Tenant's obligations under this Lease; provided, however, that in no event shall Tenant be obligated to provide any Lender with any confidential or proprietary information about Tenant or its business. Such subordination, non-disturbance and attornment agreement shall be in form and substance reasonably satisfactory to Tenant and may require Tenant to confirm that (a) Lender and its assigns will not be liable for any misrepresentation, act or omission of Landlord and (b) Lender and its assigns will not be subject to any counterclaim, demand or offset which Tenant may have against Landlord.

(b) During the Term the Leased Premises shall not be encumbered by any Mortgage the original principal balance of which exceeds [INTENTIONALLY OMITTED] unless the Leased Premises are part of a pool of properties securing debt of one Person, in which

event such limit shall not apply. If the Leased Premises are part of such a pool of properties, the deed of trust or mortgage which encumbers the Leased Premises shall specify a release price for the Leased Premises not in excess of the Project Cost.

32. Subordination. Subject to the provisions of Paragraph 31(a), this Lease and Tenant's interest hereunder shall be subordinate to any Mortgage or other security instrument hereafter placed upon the Leased Premises by Landlord, and to any and all advances made or to be made thereunder, to the interest thereon, and all renewals, replacements and extensions thereof, provided that the holder of any such Mortgage or other security instrument enters into a subordination, non-disturbance and attornment agreement with and reasonably satisfactory to Tenant which recognizes this Lease and all Tenant's rights hereunder unless and until (i) an Event of Default exists or (ii) Landlord shall have the right to terminate this Lease pursuant to any applicable provision hereof.

33. Financial Covenants. [INTENTIONALLY OMITTED].

34. Tax Treatment; Reporting. Landlord and Tenant each acknowledge that each shall treat this transaction as a true lease for state law purposes and shall report this transaction as a true lease for Federal income tax purposes. For Federal income tax purposes each shall report this Lease with Landlord as the owner of the Leased Premises, including the Building Systems Equipment, and Tenant as the lessee of the Leased Premises and Building Systems Equipment, including: (1) treating Landlord as the owner of the property eligible to claim depreciation deductions under Section 167 or 168 of the Internal Revenue Code of 1986 (the "Code") with respect to the Leased Premises and the Building Systems Equipment, (2) Tenant reporting its Rent payments as rent expense under Section 162 of the Code, and (3) Landlord reporting the Rent payments as rental income.

35. Right of First Refusal. [INTENTIONALLY OMITTED].

36. Financing Major Alterations. [INTENTIONALLY OMITTED].

37. Initial Lender Rights re: Letter of Credit. [INTENTIONALLY OMITTED].

38. Miscellaneous.

(a) The paragraph headings in this Lease are used only for convenience of reference and are not part of this Lease or to be used in determining the intent of the parties or otherwise interpreting this Lease.

(b) As used in this Lease, the singular shall include the plural and any gender shall include all genders as the context requires and the following words and phrases shall have the following meanings: (i) "including" shall mean "including without limitation"; (ii) "provisions" shall mean "provisions, terms, agreements, covenants and/or conditions"; (iii) "lien" shall mean "lien, charge, encumbrance, title retention agreement, pledge, security interest, mortgage and/or deed of trust"; (iv) "obligation" shall mean "obligation, duty, agreement, liability, covenant and/or condition"; (v) "any of the Leased Premises" shall mean "the Leased Premises or any part thereof or interest therein"; (vi) "any of the Land" shall mean "the Land or any part thereof or interest therein"; (vii) "any of the Improvements" shall mean

"the Improvements or any part thereof or interest therein"; (viii) "any of the Equipment" shall mean "the Equipment or any part thereof or interest therein"; and (ix) "any of the Adjoining Property" shall mean "the Adjoining Property or any part thereof or interest therein".

(c) Any act which Landlord is permitted to perform under this Lease may be performed at any time and from time to time by Landlord or any person or entity designated by Landlord. Each appointment of Landlord as attorney-in-fact for Tenant hereunder is irrevocable and coupled with an interest. Except as otherwise specifically provided herein, Landlord shall have the right, at its sole option, to withhold or delay its consent whenever such consent is required under this Lease for any reason or no reason. Time is of the essence with respect to the performance by Tenant of its obligations under this Lease.

(d) Landlord shall in no event be construed for any purpose to be a partner, joint venturer or associate of Tenant or of any subtenant, operator, concessionaire or licensee of Tenant with respect to any of the Leased Premises or otherwise in the conduct of their respective businesses.

(e) This Lease and any documents which may be executed by Tenant on or about the effective date hereof at Landlord's request constitute the entire agreement between the parties and supersede all prior understandings and agreements, whether written or oral, between the parties hereto relating to the Leased Premises and the transactions provided for herein. Landlord and Tenant are business entities having substantial experience with the subject matter of this Lease and have each fully participated in the negotiation and drafting of this Lease. Accordingly, this Lease shall be construed without regard to the rule that ambiguities in a document are to be construed against the drafter.

(f) This Lease may be modified, amended, discharged or waived only by an agreement in writing signed by the party against whom enforcement of any such modification, amendment, discharge or waiver is sought.

(g) The covenants of this Lease shall run with the land and bind Tenant, its successors and assigns and all present and subsequent encumbrances and subtenants of any of the Leased Premises, and shall inure to the benefit of Landlord, its successors and assigns. If there is more than one Tenant, the obligations of each shall be joint and several.

(h) If any one or more of the provisions contained in this Lease shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Lease, but this Lease shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

(i) This Lease shall be governed by and construed and enforced in accordance with the Laws of the State.

IN WITNESS WHEREOF, Landlord and Tenant have caused this Lease to be duly executed under seal as of the day and year first above written.

LANDLORD:

GENA PROPERTY COMPANY, a California partnership

By: GENA (CA) QRS 11-25, INC., a general partner

ATTEST:

By: _____
Title: Assistant Secretary

By: _____
Title: Executive Vice President

[Corporate Seal]

By: GENA (CA) QRS 12-1, INC., a general partner

ATTEST:

By: _____
Title: Assistant Secretary

By: _____
Title: Executive Vice President

[Corporate Seal]

TENANT:

GENSIA, INC., a Delaware corporation

ATTEST:

By: _____
Title: Vice President

By: _____
Title: President

[Corporate Seal]

EXHIBIT A

LEGAL DESCRIPTION OF LAND

The Land is located in the City of San Diego, County of San Diego, State of California and is more particularly described as follows:

PARCEL A:

LOTS 1 AND 3 OF NEXUS TECHNOLOGY CENTRE UNIT NO. 1, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 11876, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, AUGUST 7, 1987.

PARCEL B:

NON-EXCLUSIVE EASEMENTS FOR VEHICULAR AND PEDESTRIAN INGRESS AND EGRESS ON AND OVER DESIGNATED PEDESTRIAN AND VEHICULAR TRAFFIC CIRCULATION PATTERNS NOW EXISTING OR CREATED, INCLUDING WITHOUT LIMITATIONS, ALL DRIVEWAYS, ROAD, STREETS, WALKWAYS, SIDEWALKS AND SURFACE PARKING AREAS; FOR PARKING ON AND ACROSS ALL SURFACE PARKING AREAS DESIGNATED FOR PARKING BY STRIPPING OR OTHER MEANS; FOR PRIVATE AND COMMON UTILITIES AND INCIDENTAL THERETO; AND TEMPORARY EASEMENTS FOR CONSTRUCTION PURPOSES, AS SET FORTH, DESCRIBED, CREATED AND CONVEYED IN THAT CERTAIN DOCUMENT ENTITLED "RECIPROCAL EASEMENT AGREEMENT" BY AND BETWEEN GENSIA, INC., A DELAWARE CORPORATION AND GENA PROPERTY COMPANY, A CALIFORNIA GENERAL PARTNERSHIP, RECORDED ON DECEMBER _____, 1993 AS INSTRUMENT NO. _____ IN THE OFFICE OF THE COUNTY

EXHIBIT B

DESCRIPTION OF BUILDING SYSTEMS EQUIPMENT

"Building Systems Equipment" shall mean all plumbing, heating, ventilation and air conditioning equipment, electrical systems, mechanical equipment, lighting systems, emergency life support equipment, fire safety equipment, sprinkler systems and other equipment which is customarily part of a "shell building" for each Building. Building Systems Equipment shall include any Alterations to the Building Systems Equipment, whether paid for by Landlord or by Tenant, as may be required by the terms of this Lease.

EXHIBIT C

SCHEDULE OF PERMITTED ENCUMBRANCES

EXHIBIT D

BASIC RENT SCHEDULE

[INTENTIONALLY OMITTED]

EXHIBIT E

TENANT'S FINANCIAL COVENANTS

[INTENTIONALLY OMITTED]

EXHIBIT F

SCHEDULE OF EXISTING LEASES

[INTENTIONALLY OMITTED]

EXHIBIT G

[Form of Letter of Credit]

[INTENTIONALLY OMITTED]

EXHIBIT H

TENANT ESTOPPEL CERTIFICATE

(Lender)

The undersigned, _____ ("Tenant"), hereby certifies to _____, a _____ ("Lender") and/or _____ ("Purchaser"), as follows:

1. Attached hereto is a true, correct and complete copy of that certain lease dated _____, 19____, between _____, a _____ ("Landlord")', and Tenant (the "Lease"), the demised premises of which ("Premises") are located at _____ in the City of _____, County of _____, state of _____, which Premises are more particularly described in the Lease. The Lease (as attached) represents the entire agreement between the parties as to the Premises, is now in full force and effect, and has not been amended, modified or supplemented, except as set forth in Paragraph 5 below.

2. The term of the Lease commenced on _____, 19___. Rent commenced to accrue on _____ , 19___.

3. The undersigned is in occupancy of the Premises.

4. The initial term of the Lease shall expire on _____, 19___ with ___ renewal option(s) of a period of _____ years each.

5. The Lease has not been amended, modified, supplemented, extended, renewed or assigned, except: _____ _____ _____.

6. All conditions of the Lease to be performed by Landlord thereunder and necessary to the enforceability of the Lease have been satisfied, except:_____ _____ _____ _____.

7. The amount of the installment of Basic Rent being paid currently is $_____.

8. The current amount of the Letter of Credit outstanding under Paragraph 29 of this Lease is $_____.

9. Tenant is paying the full Basic Rent under the Lease, which Rent has been paid in full through _____. No Basic Rent under the Lease has been paid for more than thirty (30) days in advance of its due date.

10. To the best of the knowledge of the undersigned, based on reasonable injury, Tenant has no defense as to its obligations under the Lease and claims no set-off or counterclaim against Landlord.

11. To the best knowledge of the undersigned, there are no defaults on the part of Landlord or Tenant under the Lease, and there are no events currently existing (or with the passage of time, giving of notice or both, which would exist) which give Tenant the right to cancel or terminate the Lease.

12. Tenant has no right to any concession (rental or otherwise) or similar compensation in connection with renting the space it occupies, except as provided in the Lease.

13. There are no actions, whether voluntary or otherwise, pending against the undersigned or any guarantor of the undersigned's obligations under the Lease pursuant to the bankruptcy or insolvency laws of the United States or any state thereof.

14. It is Tenant's understanding that the present Landlord of the Premises is _____.

15. Tenant's address for notices under the terms of the Lease is: _____.

16. Tenant hereby acknowledges that Lender intends to make a loan to Landlord for _____ that Landlord intends to assign the Lease to Lender in connection with such financing, and that Lender is relying upon the representations herein made in funding such loan. Upon such assignment and upon written request from Lender, Tenant agrees to send all rents, payments and other amounts due under the Lease and assigned to Lender pursuant to said financing to such address as may be indicated in writing by Lender to Tenant. Tenant agrees that no modification, adjustment, revision, cancellation or renewal of the Lease or amendments thereto shall be effective unless the written consent of Lender is obtained. Tenant has not received any notice of any other sale, pledge, transfer or assignment of the Lease or of the rentals thereunder by Landlord.

17. Tenant shall deliver to Lender a copy of all notices of default or termination served on or received from Landlord.

18. Lender is hereby given the right to cure Landlord's defaults under the Lease within thirty (30) days after receipt of written notice by the undersigned of Landlord's failure so to do; provided, however, that said thirty (30) day period shall be extended (a) so long as within said thirty (30) day period Lender has commenced to cure and is proceeding with due diligence to cure said defaults, or (b) so long as Lender is proceeding with a foreclosure action against Landlord and will commence to cure and will proceed with due diligence to cure said defaults upon the resolution of said foreclosure action.

19. Tenant acknowledges that Lender shall assume no liability or obligations under the Lease, or any renewal thereof, either by virtue of the assignment thereof or any receipt or collection of rents under the Lease, except in the event that Lender acquires title to the Leased Premises.

20. All provisions of the Lease and the amendments thereto (if any) referred to above are hereby ratified.

DATED: _____

"Tenant"

GENSIA, INC.,
a Delaware corporation

By: _____

Its: _____

By: _____

Its: _____

EXHIBIT "B"

DEMISING PLAN

[Attached]

EXHIBIT B

[DIAGRAM]

NOVATEL WIRELESS EXPANSION SPACE

EXHIBIT B

[DIAGRAM]

NOVATEL WIRELESS EXISTING SPACE

EXHIBIT "C"

EXPANSION PLAN

[Attached]

EXHIBIT C

[DIAGRAM]

NOVATEL WIRELESS EXPANSION SPACE

EXHIBIT "D"

TENANT IMPROVEMENTS

[Attached]

EXHIBIT 10.17

Execution Copy

EMPLOYMENT AGREEMENT

This Employment Agreement ("AGREEMENT") is made and entered into as of July 24, 2000 by and between Novatel Wireless, Inc., a Delaware corporation (the "COMPANY") and John Major ("EXECUTIVE").

RECITALS

WHEREAS, the Company desires to employ Executive and to enter into an agreement embodying the terms of such employment; and

WHEREAS, Executive desires to accept employment with the Company, subject to the terms and provisions of this AGREEMENT;

AGREEMENT

NOW THEREFORE, in consideration of the foregoing recitals, the mutual promises and covenants contained herein, and for other good and valuable consideration, the receipt and adequacy of which are mutually acknowledged, the Company and Executive agree as follows:

1. Employment and Duties. During the Employment Period (as hereinafter defined), Executive shall serve as Chairman of the Board and Chief Executive Officer of the Company, reporting solely to the Company's Board of Directors. The duties and responsibilities of Executive shall include the duties and responsibilities for Executive's respective corporate offices and positions as set forth in the bylaws of the Company and such other duties and responsibilities as the Board of Directors of the Company (the "BOARD OF DIRECTORS") may from time to time reasonably assign to Executive, in all cases to be consistent with Executive's corporate offices and positions. At the next meeting of the Board of Directors, Executive shall be nominated to serve as a director of the Company, and, if elected, he shall serve in such capacity during the Employment Period without additional compensation. Executive shall perform faithfully the executive duties and responsibilities referred to above to the best of his ability, on a full-time basis.

2. Term and Termination.

2.1. Effective Date. This Agreement shall be effective as of the date hereof (the "EFFECTIVE DATE").

2.2. Employment Period. The Employment Period shall begin on the Effective Date and end on the third anniversary of the Effective Date (the "INITIAL TERM") or upon the expiration of any renewal period (the "EXPIRATION DATE"), subject to renewal as hereinafter provided for, unless sooner terminated pursuant to the provisions of this Agreement. So long as the Employment Period is then in effect, and no termination notice that is then effective has theretofore been given, the Employment Period shall automatically extend for an additional one (1) year beyond the Expiration Date otherwise next set to occur, unless any party gives written notice of non-renewal to the other party at least sixty (60) calendar days prior to

that Expiration Date. If such notice of non-renewal is given, the Employment Period shall expire on that Expiration Date.

2.3. Early Termination for Cause. The Company may terminate Executive's employment for Cause (as hereinafter defined) by giving the Executive thirty (30) days' advance notice in writing of such termination. For all purposes under this Agreement, the term "CAUSE" shall mean:

(i) A willful failure by the Executive to substantially perform the Executive's duties under this Agreement;

(ii) Any willful act by Executive which constitutes gross misconduct of a type and kind which is materially adverse to the Company and which remains uncured by Executive for five (5) calendar days following Executive's receipt of such notice;

(iii) A willful violation of a federal or state law, rule or regulation by Executive applicable to the business of the Company of a type and kind that is materially adverse to the Company;

(iv) A willful violation of a federal or state securities law applicable to the Company; or

(v) The conviction of Executive of, or entry by Executive of a guilty or no contest plea to, the commission of a felony.

For purposes of this Paragraph 2.3, no act, or failure to act, by Executive shall be considered "willful" unless committed in bad faith and without a reasonable belief that the act or omission was in the best interests of the Company. No compensation or benefits shall be paid or provided to Executive under this Agreement on account of a termination for Cause, or for periods following the date when such a termination of employment is effective, except for Base Salary to the extent already accrued. In the event Executive's employment is terminated for Cause, Executive's rights under the benefit plans of the Company shall be determined under the provisions of those plans. Any waiver of notice shall be valid only if it is made in writing and expressly refers to the applicable notice requirement of this Paragraph 2.3.

2.4. Early Termination for Disability. The Company may terminate Executive's employment for Disability (as hereinafter defined) by giving Executive thirty (30) days' advance notice in writing of such termination. For all purposes under this Agreement, the term "DISABILITY" shall mean a circumstance which Executive, at the time notice is given, has been unable by reason of his incapacity due to physical or mental illness to perform his obligations under this Agreement for a period of not less than six (6) consecutive months. No compensation or benefits shall be paid or provided to Executive under this Agreement on account of termination for Disability, or for periods following the date when such a termination of employment is effective. In the event Executive's employment is terminated on account of Disability, Executive's rights under the benefit plans of the Company shall be determined under the provisions of those plans. Any waiver of notice shall be valid only if it is made in writing and expressly refers to the applicable notice requirement of this Paragraph 2.4.

2.5. Early Termination Generally. The Company may terminate Executive's employment prior to the end of the Employment Period, but only by giving Executive thirty (30) days' advance notice of such termination in writing. If the Company terminates Executive's employment prior to the end of the Employment Period pursuant to this Paragraph 2.5 for any reason other than Cause or Disability, Executive shall be entitled to receive the payments and benefits referred to in Paragraph 12.1.1 below (subject to the terms and conditions of said Paragraph), and Executive's rights under any applicable benefit plans shall be determined under the provisions of those plans. Any waiver of notice shall be valid only if it is made in writing and expressly refers to the applicable notice requirement of this Paragraph 2.5.

2.6. Early Termination on Account of Death. If Executive's employment is terminated by his death, the Company shall have no obligation to pay or provide any compensation or benefits under this Agreement on account of Executive's death, or for periods following Executive's death; provided, however, that if, prior to Executive's death, Executive was entitled to receive payments or benefits under Paragraph 12.1.1 below, then the Beneficiary (as hereinafter defined) shall be entitled to continue to receive those payments or benefits (subject to the terms and conditions of said Paragraph) to the same extent that Executive would have been entitled to receive those payments or benefits if he had not died. The rights of the Beneficiary under the benefit plans of the Company in the event of Executive's death shall be determined under the provisions of those plans.

2.7. Early Termination by Executive for Good Reason. Executive may voluntarily elect to resign his employment with the Company prior to the end of the Employment Period for Good Reason (as hereinafter defined) upon giving the Company thirty (30) days' advance notice in writing of such termination. If Executive terminates his employment for Good Reason, Executive shall be entitled to receive the payments or benefits referred to in Paragraph 12.1.1 below (subject to the terms and conditions of said Paragraph), and Executive's rights under the benefit plans of the Company shall be determined under the provisions of those plans. Any waiver of notice shall be valid only if it is made in writing and expressly refers to the applicable notice requirement of this Paragraph 2.7. For all purposes of this Agreement, the term "GOOD REASON" means the occurrence of any one or more of the following events without, in each case, the prior written consent of Executive thereto:

(i) Any material diminution of Executive's titles, responsibilities or duties with the Company;

(ii) A substantial reduction, without good business reasons, of the facilities and perquisites (including office space and location) then available to Executive;

(iii) Any reduction in the Base Salary then payable to, or Bonus opportunity then available to, Executive or a failure by the Company to pay any such amounts when due;

(iv) A material reduction in the kind or level of employee benefits to which Executive is then entitled, with the result that Executive's overall benefits package is materially reduced;

(v) The involuntary relocation of Executive to a facility or location more than twenty-five (25) miles from the location described in Section 3;

(vi) Any purported termination by the Company of Executive's employment which is not effected for death, for Disability or for Cause, or any purported termination by the Company of Executive's employment for which the grounds relied upon therefor are not valid;

(vii) The failure of the Company to obtain the assumption of this Agreement by its successor as required by Paragraph 18 hereof;

(viii) Any breach by the Company of any provision of this Agreement applicable to it which is material and adverse to Executive;

(ix) the Company's failure to provide the Options (as hereinafter defined) or the Company's material breach of one or more of the stock option agreements pursuant to which the Options were issued to Executive;

(x) the Company's failure to substantially provide any material employee benefits due to be provided to Executive;

(xi) the Company's failure to provide in all material respects the indemnification set forth in Paragraph 29 of this Agreement; or

(xii) six (6) months immediately following a Change in Control (as hereinafter defined).

Executive's continued employment during the thirty (30) day period referred to above in this Paragraph 2.7 shall not constitute Executive's consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder. For purposes of this Agreement, "CHANGE OF CONTROL" means the occurrence of any of the following:

(i) The Company is merged, consolidated or reorganized into or with another corporation or legal person, and as a result of such merger, consolidation or reorganization less than fifty percent (50%) of the combined voting power of the then outstanding securities of such resulting corporation or person immediately after such transaction are held in the aggregate by the holders of voting stock of the Company immediately prior to such transaction;

(ii) The Company sells or otherwise transfers all or substantially all of its assets to another corporation or other legal person, and as a result of such sale or transfer less than fifty percent (50%) of the combined voting power of the then outstanding voting stock of such corporation or person immediately after such sale or transfer

is held in the aggregate by the holders of voting stock of the Company immediately prior to such sale or transfer;

(iii) The approval by the shareholders of the Company of a complete liquidation or dissolution of the Company; or

(iv) A change in the composition of the Board of Directors during any period of two (2) consecutive years such that individuals who at the beginning of such period were members of the Board of Directors cease for any reason to constitute at least a majority thereof, unless the election, or the nomination for election by the Company's stockholders, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period.

2.8. Early Termination by Executive for Other Than Good Reason. Executive may voluntarily elect to resign his employment with the Company prior to the end of the Employment Period for any reason upon One Hundred Twenty (120) days advance written notice, and such termination shall not in and of itself be, nor shall it be deemed to be, a breach of this Agreement.. Upon such termination, Executive shall be entitled to receive the payments and benefits referred to in Paragraph 12.1.2 below.

3. Place of Employment. The principal place of employment of Executive shall be at the Company's executive offices in San Diego County, California.

4. Base Salary. For all services to be rendered by Executive pursuant to this Agreement, the Company shall pay to Executive during the Employment Period a base salary (the "BASE SALARY") at an annual rate of not less than Three Hundred Twenty-Five Thousand Dollars ($325,000). The Base Salary shall be paid in periodic installments in accordance with the Company's regular payroll practices, subject to all applicable taxes and withholding. The Board of Directors shall review the amount of the Base Salary at least annually as of the payroll payment date nearest each anniversary of Effective Date and, taking into consideration the merits of the Executive's performance, may (but shall have no obligation to) increase the amount thereof.

5. Bonus.

5.1. Beginning with the Company's 2000 fiscal year end and for each fiscal year thereafter during the Employment Period, Executive shall be eligible to receive an annual bonus (the "BONUS") in an amount of up to one hundred percent (100%) of Executive's Base Salary for such fiscal year (the "TARGET AMOUNT") based upon certain operational and financial criteria, including revenue and profitability targets and other organizational milestones (such criteria being hereinafter collectively referred to as the "TARGETS") as established by the Board of Directors. The Targets for each fiscal year during the Employment Period shall be agreed upon, not less than forty-five (45) days prior to the beginning of such fiscal year, by Executive and a director of the Company designated for such purpose; provided, however, that the Targets for fiscal year 2000 shall be agreed upon within ninety (90) days following the

Effective Date. The parties acknowledge that it is their intention that the Targets for each fiscal year shall be set at levels that are aggressive but attainable. In the event that the Targets are not attained in any fiscal year during the Employment Period, the Board of Directors shall award Executive a bonus with respect to such fiscal year in an amount equal to his Base Salary multiplied by the average percentage bonus (calculated as a percentage of their respective maximum bonus targets) of the next three most senior officers of the Company. The Board of Directors may (but shall have not obligation to) institute, for the benefit of Executive, such additional bonus plans such Board shall determine, in each case in the sole, absolute and unrestricted discretion of such Board.

5.2. Unless otherwise specified pursuant to Paragraph 5.3 below, the Bonus payable hereunder shall be payable in a single installment within thirty (30) days following the date (the "DELIVERY DATE") on which audited financial statements for the fiscal year to which such Bonus relates or as otherwise agreed by Executive and the Board of Directors are delivered to the Board of Directors. The Bonus shall be paid one-half in cash and one-half in the Company's Common Stock, the number of shares being determined by the fair market value on the Delivery Date, as determined by the Board of Directors. Any other bonus payable hereunder shall, unless otherwise specified pursuant to Paragraph 5.3 below, be payable at such time or times as the Board of Directors, in its sole, absolute and unrestricted direction, shall determine.

5.3. Executive may, by written notice provided to the Company (a "Deferral Notice"), elect to defer the payment date with respect to some or all of any Bonus relating to such fiscal year. Any such Deferral Notice shall be provided to the Company prior to the start of such fiscal year and shall specify the percentage of any such Bonus which shall be deferred and the time and manner pursuant to which such bonus shall be paid; provided, however, that any Deferral Notice relating to any Bonus with respect to fiscal year 2000 shall be provided to the Company no later than thirty (30) days following the Effective Date.

6. Stock Options.

6.1 Option Grants. Effective as of the Effective Date, and contingent upon the execution of this Agreement by Executive, the Company shall grant Executive one or more options (the "Options") to purchase an aggregate of five percent (5%) of the outstanding equity securities of the Company (as of the Effective Date), on a fully-diluted basis, taking into account all options, warrants, and convertible securities issued, authorized, or outstanding as of the Effective Date, in any event not less than one million (1,000,000) shares of the Company's common stock (the "Common Stock"). The Options shall be governed by the terms and conditions of this Agreement and the plan pursuant to which they are issued.

6.2 ISO Treatment. The Options shall, to the fullest extent permitted under applicable tax laws, be structured to qualify as "incentive stock options" with the meaning of Section 422(b) of the Internal Revenue Code.

6.3 Option Price. The Options shall have a per share exercise price equal to the price at which options were last issued to other senior officers of the Company.

6.4 Vesting. The Options shall vest and become exercisable in accordance with the following schedule:

(A) Twenty percent (20%) of the Options shall vest and become exercisable on the Effective Date;

(B) Twelve and one-half percent (12-1/2%) of the Options shall vest and become exercisable on the first anniversary of the Effective Date, provided that Executive is then employed by the Company;

(C) Twelve and one-half percent (12-1/2%) of the Options shall vest and become exercisable on the second anniversary of the Effective Date, provided that Executive is then employed by the Company;

(D) Ten percent (10%) of the Options shall vest and become exercisable on each of the first, second, third and forth anniversary of the Effective Date, provided that Executive is then employed by the Company; and

(E) Fifteen percent (15%) of the Options shall vest and become exercisable upon the earlier to occur of (1) the closing prior to December 31, 2000 of the sale of the Company's common stock in a firm commitment, underwritten public offering approved by the Company's Board of Directors and registered under the Securities Act of 1933, as amended; and (2) with respect to one-half of such shares, the third anniversary of the Effective Date, and with respect to the remaining one-half of such shares, the fourth anniversary of the Effective Date, in both cases, provided the Executive is then employed by the Company on such dates.

If Executive's employment is terminated by the Company for reasons other than Disability or Cause, or if Executive terminates his employment for Good Reason any unvested Options shall immediately vest and become exercisable in full at that time.

6.5 Change of Control. All Options not then vested shall immediately vest and become exercisable in full at the effective time of a Change of Control, in the event Executive is then employed by the Company.

6.6 Other Option Provisions. The Options shall expire on the first to occur of:

6.6.1 In the event of termination of Executive's employment by reason of Executive's death or Disability, six (6) months after the date of such termination;

6.6.2 In the event of termination or expiration of Executive's employment for any other reason (including, without limitation, termination by Executive for Good Reason and by the Company for Cause), ninety (90) days after the date of such termination or expiration; or

6.6.3 Ten (10) years from the date of grant of such Option.

7. Expenses.

7.1. Legal Expenses. Executive shall be entitled to prompt reimbursement by the Company for all reasonable legal fees incurred by Executive in connection with the negotiation and completion of this Agreement, not to exceed $5,000; provided, however, that Executive shall properly account for such expenses in accordance with the policies and procedures of the Company.

7.2. Ordinary Expenses. Executive shall be entitled to prompt reimbursement for all reasonable, ordinary and necessary travel, entertainment, and other expenses incurred by Executive during the Employment Period (in accordance with the policies and procedures established for senior executive officers of the Company) in the performance of his duties and responsibilities for the Company under this Agreement; provided, however, that Executive shall properly account for such expenses in accordance with the policies and procedures of the Company.

8. Employee Benefit Plans. During the Employment Period, Executive shall be entitled to participate in all employee benefit plans or programs of the Company, if any, on the same basis as other senior managers of the Company, to the extent that his position, tenure, salary, age, health and other qualifications make him eligible to participate, subject to the terms, conditions, rules and regulations applicable thereto.

9. Life Insurance. The Company shall provide Executive with a One Million Dollar ($1,000,000) executive term life insurance policy. The beneficiary of such policy shall be named by Executive. Upon the termination of Executive's employment with the Company for any reason, the Company shall, upon Executive's request, assign such life insurance to Executive, with Executive to fully assume the obligation to maintain such life insurance after the end of the Employment Period.

10. Vacations and Holidays. Each year the Executive shall be entitled to an aggregate of four (4) weeks' paid vacation, plus holidays in accordance with the Company's policies, as amended from time to time, for senior executive officers.

11. Other Activities. Executive shall devote substantially all of his working time and efforts during normal business hours to the business and affairs of the Company and to the diligent and faithful performance of the duties and responsibilities duly assigned to him pursuant to this Agreement, except for vacations, holidays and absences due to illness. However, Executive may devote a reasonable amount of his time (A) to civic, community, or charitable activities, (B) to continue to serve as a director of other corporations on whose boards he serves as of the Effective Date, (C) with the prior written approval of the Board of Directors, to serve as a director of other corporations to which he is elected for the first time after the Effective Date and (D) to other types of business or public activities not expressly mentioned in this Paragraph 11.

12. Termination Benefits. In the event Executive's employment terminates prior to the end of the Employment Period, then Executive shall be entitled to receive severance and other benefits as follows:

12.1. Severance.

12.1.1. Involuntary Termination. If the Company terminates Executive's employment for reasons other than for Disability or Cause, or if Executive terminates his employment for Good Reason, Executive shall be entitled to payment in a lump sum of his Base Salary for a period of one (1) year. If the Company terminates Executive's employment for reasons other than Disability or Cause, or if the Executive terminates his employment for Good Reason, then the Company shall pay to Executive in a lump sum a Bonus equal to the amount of the Bonus earned as of the date of the termination.

12.1.2. Other Termination. If the Company terminates Executive's employment for reasons of Disability or Cause, or if Executive terminates his employment for other than Good Reason, Executive shall be entitled to receive severance and any other benefits only as may then be established under the Company's existing severance and benefit plans and policies at the time of such termination, subject to the terms of such plans and policies.

12.1.3. Duty to Mitigate. For a period of six (6) months immediately following any termination of Executive's employment by the Company other than for Cause, Executive shall not be required to mitigate the amount of any payment contemplated by this Agreement (whether by seeking new employment or in any other manner).

13. Proprietary Information. Concurrently with the execution of this Agreement, Executive will execute and deliver to the Company the Company's standard Employee Inventions and Proprietary Rights Assignment Agreement, a copy of which is attached hereto as Exhibit "A" and is incorporated herein by this reference.

14. Non-Solicitation. Executive covenants and agrees with the Company that during the Employment Period and for a period expiring one (1) year after the date of termination or expiration thereof, neither Executive nor his Controlled Affiliates (as hereinafter defined) shall solicit any employees of the Company or any of its affiliates to terminate their employment with the Company or its affiliates or to become employed by any firm, company or other business enterprise with which Executive may then be connected. As used herein, "CONTROLLED AFFILIATE" of Executive means any member of Executive's immediate family (including, without limitation, his spouse, children, parents and siblings) and any other person or entity which, directly or indirectly, is at any time controlled by Executive. For purposes of this definition, "CONTROL" of a person or entity means the power, direct or indirect, to direct or cause the direction of the management and policies of such person, whether by contract or otherwise.

15. Non-Competition. Executive covenants and agrees with the Company that during the Employment Period and for a period expiring one (1) year after the date or termination or expiration thereof, neither Executive nor any Controlled Affiliate shall, whether on his or its own behalf or on behalf of any other person, firm, partnership, corporation or other business venture (hereinafter, a "PERSON"), own, manage, control, participate in, consult with, be employed by, render services for or otherwise assist in any manner any person that is engaged in, any Business Activity (as hereinafter defined) competitive with the Business (as hereinafter defined). Nothing herein shall prohibit Executive or any Controlled Affiliate from being an

owner of not more than two percent (2%) of the equity or debt securities of any such person, so long as Executive has no active participation (other than exercising voting or consensual rights with respect to such interest of up to two percent (2%)) in the business of such person. As used herein: (i) "BUSINESS ACTIVITY," with respect to any person, means any direct or indirect primary business activity of such person; and (ii) "BUSINESS" means, as of the date of Executive's departure from the Company, any Business Activity engaged in by the Company or its affiliates.

16. No Adequate Remedy at Law.

16.1. Equitable Relief. In the event that Executive shall breach any of the provisions of Paragraph 14 or 15 hereof, or in the event that any such breach is threatened by Executive, in addition to and without limiting or waiving any other remedies available to the Company in law or in equity, the Company shall be entitled to immediate injunctive relief in any court, domestic or foreign, having the capacity to grant such relief, to restrain such breach or threatened breach and to enforce the provisions of such Paragraphs. Executive acknowledges that it is impossible to measure in money the damages that the Company will sustain in the event that Executive breaches or threatens to breach any of the provisions of such Paragraphs and, in the event that the Company shall institute any action or proceeding to enforce those provisions seeking injunctive relief, Executive hereby waives and agrees not to assert and shall not use as defense thereto the claim or defense that the Company has an adequate remedy at law. The foregoing shall not prejudice the right of the Company to require Executive to account for and pay over to it the amount of any actual damages incurred by the Company as a result of any such breach.

16.2. The parties acknowledge that (i) the provisions of Paragraphs 14 and 15 are essential to protect the business and goodwill of the Company, and (ii) the foregoing restrictions are under all of the circumstances reasonable and necessary for the protection of the Company and its business. If, however, at the time of enforcement of any or such paragraphs or any other provision of this Agreement, a court or arbitrator shall hold that the duration, scope or area restriction or any other provision hereof is unreasonable under circumstances now or the existing, the parties hereto agree that the maximum duration, scope or area reasonable under the circumstances shall be substituted for the stated duration, scope or area.

17. Right to Advice of Counsel. Executive acknowledges that he has consulted with counsel and is fully aware of his rights and obligations under this Agreement. Executive acknowledges that the stock options, payments, and other matters provided in this Agreement have tax consequences, that the Company (or its counsel) has not provided any tax advice to Executive, and that Executive is solely responsible for consulting with an accountant, legal counsel, or other tax advisor regarding the tax consequences of this Agreement.

18. Successors. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of its business and/or assets to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. Failure of the Company to obtain such assumption agreement prior to or in connection with the effectiveness of any such succession shall constitute Good Reason, within the meaning of Paragraph 2.7 (vii) hereof, for Executive to terminate his employment hereunder.

If the Executive terminates his employment for such Good Reason, he shall be entitled to the payments and benefits described in Paragraph 12.1.1 of this Agreement, subject to the terms and conditions of said Paragraph.

19. Arbitration.

19.1. General Rule. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in San Diego, California, in accordance with the rules of the American Arbitration Association then in effect by an arbitrator selected by the Company, on the one hand, and Executive, on the other, within ten (10) days after any party has notified the others in writing that it desires a dispute between them to be settled by arbitration. In the event the parties cannot agree on such arbitrator within such ten (10) day period, the Company, on the one hand, and Executive, on the other, shall each select an arbitrator and inform the other party in writing of such arbitrator's name and address within five (5) days after the end of such 10-day period and the arbitrators so selected shall select a third arbitrator within fifteen (15) days thereafter; provided, however, that in the event of a failure by the Company or Executive to select an arbitrator and notify the other party of such selection within the time period provided above, the arbitrator selected by the other party shall be the sole arbitrator of the dispute. The Company, on the one hand, and Executive, on the other, shall pay their or his own expenses associated with such arbitration, including the expense of any arbitrator selected by such party or parties and the Company shall pay the expenses of the jointly selected arbitrator. The decision of the arbitrator or a majority of the panel of arbitrators shall be binding upon the parties, and judgment in accordance with that decision may be entered in any court having jurisdiction over the parties. In the event of an arbitration or lawsuit by either party to enforce the provisions of this Agreement following a Change of Control, if either party prevails on any material issue which is the subject of such arbitration or lawsuit, he or it shall be entitled to recover from the other party the reasonable costs, expenses and attorneys' fees he or it has incurred attributable to such issue.

19.2. Injunctive Relief. Notwithstanding the foregoing, each party hereto specifically reserves the right to seek equitable remedies in a court of competent jurisdiction.

20. Absence of Conflict. Executive represents and warrants that his employment by the Company as described herein shall not constitute a breach of or conflict with and shall not be constrained by any prior employment or consulting agreement or relationship.

21. Assignment. This Agreement and all rights under this Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective personal or legal representatives, executors, administrators, heirs, distributees, devisees, legatees, successors and assigns. This Agreement is personal in nature, and neither of the parties to this Agreement shall, without the written consent of the other party, assign or transfer this Agreement or any one or more of its rights or obligations under this Agreement to any other person or entity, except that the Company may assign or transfer this Agreement to any successor entity as provided in Paragraph 18; provided, that such assignment shall not relieve the assigning party of its obligations hereunder. If Executive should die while any amounts are still payable, or any benefits are still required to be provided to Executive hereunder, all such

amounts or benefits, unless otherwise provided herein, shall be paid or provided in accordance with the terms of this Agreement to Executive's devisee, legatee, or other designee or, if there by no such designee, to Executive's estate (in each case, a "BENEFICIARY").

22. Notices. For purposes of this Agreement, notices and other communications provided for in this Agreement shall be in writing and shall be delivered personally or sent by United States certified mail, return receipt requested, postage prepaid, addressed as follows:

If to Executive: John Major
P.O. Box 27
Rancho Santa Fe, California 92067

With a copy to: Mark S. Pulliam, Esq.
Latham & Watkins
701 B Street, Suite 2100
San Diego, California 92101

If to the Company: Novatel Wireless, Inc.
9360 Towne Centre Drive, Suite 110
San Diego, California 92121-3030

or to such other address or the attention of such other persons as the recipient party has previously furnished to the other parties in writing in accordance with this paragraph. Such notices or other communications shall be effective upon delivery or, if earlier, three days after they have been mailed as provided above.

23. Integration. This Agreement represents the entire agreement and understanding among the parties as to the subject matter hereof and supersedes all prior or contemporaneous agreements whether written or oral. This Agreement and the exhibits thereto supersede all prior agreements relating to the employment of Executive by the Company, which agreements shall terminate as of the Effective Date. No waiver, alteration, or modification of any of the provisions of this Agreement shall be binding unless in writing and signed by duly authorized representatives of the parties hereto.

24. Waiver. Failure or delay on the part of either party hereto to enforce any right, power, or privilege hereunder shall not be deemed to constitute a waiver hereof. Additionally, a waiver by either party or a breach of any promise hereof by the other party shall not operate as or be construed to constitute a waiver of any subsequent breach or promise by such other party.

25. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

26. Headings. The headings of the paragraphs contained in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation of any provision of this Agreement.

27. Applicable Laws. This Agreement shall be governed by and construed in accordance with the internal substantive laws, and not the choice of law rules, of the State of California.

28. Counterparts. This Agreement may be executed in one or more counterparts, none of which need contain the signature of more than one party hereto, each of which shall be deemed to be an original, and all of which together shall constitute a single agreement. To the maximum extent permitted by law or by any applicable governmental authority, this Agreement may be signed and transmitted by facsimile with the same validity as if it were an ink-signed document.

29. Indemnification. The Company shall indemnify Executive to the fullest extent allowed by applicable law. In addition, Executive shall be covered by the Company's officer and director liability insurance policy, which Company agrees to obtain and keep in effect throughout the Employment Period.

30. Section 280G. If it is determined that any payment or distribution of any type to or for the benefit of the Executive by the Company, any of its affiliates, any person who acquires ownership or effective control of the Company or ownership of a substantial portion of the Company's assets (within the meaning of section 280G of the Internal Revenue Code of 1986, as amended and the regulations thereunder) or any affiliate of such person, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (the "Total Payments"), would be subject to the excise tax imposed by section 4999 of the Code or any interest or penalties with respect to such excise tax (such excise tax and any such interest or penalties are collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Tax Restoration Payment"). The amount of the Tax Restoration Payment shall be an amount equal to (A) fifty percent (50%) multiplied by (B) the sum of (1) the Excise Tax imposed on the Executive (without regard to any Excise Tax on the Tax Restoration Payment); plus (2) any state and federal income and employment taxes imposed on a bonus amount equal to the Excise Tax (without regard to any Excise Tax on the Tax Restoration Payment). Notwithstanding any other provision of this section, if the Excise Tax could be avoided by reducing the Total Payments by $10,000 or less, then the Total Payments shall be reduced to the extent necessary to avoid the Excise Tax and no Tax Restoration Payment shall be made.

The determination of whether the Total Payments are subject to an Excise Tax and, if so, the amount to be paid by the Company to Executive and the time of payment pursuant to this Paragraph 30 shall be made by an independent auditor (the "Auditor") jointly selected by the parties and paid by the Company. Unless Executive agrees otherwise in writing, the Auditor shall be a nationally recognized United States public accounting firm that has not, during the two (2) years preceding the date of its selection, acted in any way on behalf of the Company or any of its affiliates. If the parties cannot agree on the firm to serve as the Auditor, then the parties shall

each select one accounting firm and those two firms shall jointly select the accounting firm to serve as the Auditor.

IN WITNESS WHEREOF, each of the parties has executed this Agreement as of the day and year first above written.

NOVATEL WIRELESS, INC.

By: /s/ AMBROSE TAM

Name: Ambrose Tam

Title: President and Chief Operating Officer

EXECUTIVE

/s/ JOHN MAJOR

John Major

EXHIBIT 10.18

EXECUTIVE EMPLOYMENT AGREEMENT

This Employment Agreement ("Agreement") is made and entered into as of the day of 21st of August, 1996, by and between NOVATEL WIRELESS, INC., a Delaware corporation, NOVATEL WIRELESS TECHNOLOGIES LTD. ("NWT"), an Alberta corporation (NWI and NWT are collectively referred to in this Agreement as the "Companies"), and AMBROSE TAM: (the "Executive").

RECITALS

As of the date of this Agreement:

A. The Companies desire to employ Executive as their President and Chief Operating Officer, and

B. Executive desires to accept employment with the Companies, on the terms and conditions set forth in this Agreement.

AGREEMENT

1. ENGAGEMENT AND TERM

1.1 Commencing upon the effective date of this Agreement, the Companies hereby employ Executive, and Executive hereby accepts such employment, to serve in the capacity of President and Chief Operating Officer of NWI and NWT, pursuant to the terms and conditions of this Agreement. Executive shall assume the responsibilities, perform the duties; and exercise the powers as Chief Operating Officer and President of the Companies, as set forth in the Companies' respective bylaws, and such other duties as may be reasonably delegated to Executive from time to time by the Companies' respective Boards of Directors or Chief Executive Officers.

1.2 Executive shall report to the Chief Executive Officer ("CEO") of each respective Company regarding the day to day operations of each Company, and shall take direction from the Board of Directors of NWI with respect to long-term and/or policy-related matters, such as operating policies and strategic plans of the Companies.

1.3 The term of this Agreement shall continue from the effective date hereof for a period of five (5) years (the "Term"), unless sooner terminated by the Board of Directors of NWI or Executive as herein provided.

2. RELOCATION

2.1 The Companies shall not require Executive to relocate from Calgary, Alberta without Executive's written consent.

2.2 NWI may request Executive to relocate from Calgary, Alberta, upon at least 150 days' written notice of such request. If Executive consents to relocate, the Companies shall reimburse him for all customary and reasonable relocation expenses as mutually agreed upon between Executive and the Companies.

2.3 Executive shall advise NWI's Board of Directors of his decision regarding its relocation request no later than ninety (90) days prior to the date by which Executive would be expected to relocate. If Executive does not consent to relocate, NWI, at its option, may relieve Executive of his employment with NWI without further liability or expense to NWI. However, Executive's refusal to consent to relocate shall not constitute grounds by either party to terminate Executive's employment as President and Chief Operating Officer of NWT, and Executive shall continue in such position, without any reduction in remuneration and benefits under this Agreement.

3. REMUNERATION

3.1 Commencing upon the effective date of this Agreement, the Companies jointly agree to pay Executive, as basic remuneration for his services hereunder, a fixed annual initial gross salary of no less than $187,440 (which the Companies may increase from time to time) prorated for any period of less than a full calendar year according to the number of days in such period. Such compensation, including any increases, is referred to herein as Executive's "Base Salary."

3.2 The Base Salary under section 3.1 shall be payable in arrears by two (2) equal monthly installments (less all applicable deductions for all taxes, including federal, provincial, state, and local taxes; insurance; pension; and such further and other voluntary or required withholdings or deductions) on the middle and last business day of every month of the Term or at other times as are normal payroll disbursement periods for the Companies.

3.3 In addition to the Base Salary, Executive shall be entitled to an annual performance incentive (the "Incentive") targeted to be thirty-three (33) percent of the Base Salary, based on Executive's achievement of meeting performance objectives for himself and the Companies as mutually established annually by NWI's Board of Directors and Executive. In the event such performance objectives are exceeded in any given year, the Incentive will be adjusted upwards; in the event such performance objectives are not met in any given year, the Incentive will be adjusted downwards. The Incentive shall be payable within 30 days after completion of the Companies' annual financial audit.

3.4 In addition to the Base Salary and the Incentive, Executive shall be entitled to an additional amount equal to five percent of Executive's Base Salary and Incentive (or any substitute for the Incentive pursuant to paragraph 3.5), payable in normal course along with other employees into a Registered Retirement Savings Plan established by the Companies, such contribution not to exceed Executive's annual contribution limit.

3.5 Upon adoption of an executive level employee performance incentive plan by the Companies, the parties shall exercise their best efforts to substitute such plan for the Incentive described in paragraph 33.

4. MEMBERSHIPS

4.1 The Companies shall reimburse Executive during the term of this Agreement for the costs associated with joining and maintaining a membership with the Winter Club for

purposes of conducting business of the Companies, not to exceed $5,500 for initiation fees and $350 for monthly membership dues.

4.2 At Executive's option, Executive may request that the Companies reimburse him for the costs associated with joining and maintaining other club memberships for purposes of conducting the Companies' business. After receipt of such a request from Executive, the Board of Directors of NWI shall consider, in good faith, reimbursing Executive for such costs.

4.3 The Companies shall pay for Executive's membership in the Institute of Electrical & Electronic Engineers (IEEE) and the American institute of Aeronautics & Astronautics (AIAA), in the aggregate not to exceed an annual cost of $500, and such further and other professional memberships during the term of this Agreement as the Companies deem necessary or desirable from time to time.

5. PROFESSIONAL DEVELOPMENT

5.1 The Companies shall reimburse Executive for the cost of tuition and other reasonable course expenses associated with an Executive MBA program in which Executive is currently enrolled in the University of Calgary, not to exceed $20,000. The Companies shall also reimburse Executive for other reasonable tuition or course-related expenses approved in advance in writing by NWI's Board of Directors.

5.2 The Companies shall reimburse Executive for all reasonable expenses associated with other courses or training approved in advance in writing by NWI's Board of Directors.

6. TRAVEL AND EXPENSES

6.1 The Companies shall, within 15 business days of Executive's submission of reasonably sufficient supporting documentation (to include receipts, bills, and sales slips) in accordance with the Companies' relevant policies and procedures, reimburse: Executive for Executive's reasonable business expenses (including reasonable travel expenses) actually and properly incurred by him in the course of performing his duties for the Companies.

7. BENEFITS

7.1 During the Term, Executive shall be entitled to participate in all fringe benefits and plans in or to which management employees of the Companies may, from time to time, be entitled to participate, including, without limitation, the following:

(a) NWT shall make available to Executive group dental, medical, pension (registered and unregistered), disability, and other plans from time to time offered to other comparable executive employees.

(b) NWT shall provide Executive with an automobile commensurate with the office and position of Executive for his use during the Term, and shall reimburse Executive for all reasonable expenses incurred in the maintenance of such vehicle.

(c) Executive shall be entitled to an annual paid vacation in accordance with the Companies' policy for executive level employees, including carry forward of 14 vacation days from Executive's immediately preceding employer.

(d) NWT shall provide Executive with life insurance coverage in an amount comparable to any provided from time to time by NWT to other comparable executive employees of the Companies, but not less than twice Executive's annual Base Salary, provided that Executive demonstrates insurability as may be required by the Companies' insurer. Such life insurance shall be payable to beneficiaries designated by Executive, and shall be in addition to any key person life insurance as the Companies may require. In the event the Companies require key person life insurance, such insurance shall be funded by the Companies, which shall designate the beneficiaries under such policies. Executive shall reasonably cooperate with any efforts by the Companies to obtain such key person life insurance.

(e) Such other benefits, if any, as the Companies may make available to other similarly situated employees.

7.2 For purposes of application of benefits under this section, Executive shall be credited with his time of service with NovAtel Communications Ltd.

8. TERMINATION WITHOUT CAUSE

In the event Executive's employment under this Agreement is terminated without cause (as defined in paragraph 9.1), Executive shall be entitled to $250,000, payable in two equal lump sum installments (less applicable taxes and withholdings) on the effective date of termination and six (6) months thereafter, plus the continuance of all benefits identified in paragraph 7 of this Agreement for a period of 12 months.

9. TERMINATION FOR CAUSE

9.1 NWI's Board of Directors may terminate immediately Executive's employment for any of the following:

(a) Embezzlement or misappropriation of the Companies' funds by Executive;

(b) Executive's conviction of or plea to any criminal offense involving fraud or dishonesty, or which is likely to injure the Companies' business or reputation;

(c) Intentionally or through gross negligence by Executive, furnishing any information, reports, documents, or certificates which were false or misleading; or

(d) Executive's commission of a material and non-trivial breach of the terms of this Agreement, including, without limitation, Executive's material neglect or failure to perform his duties hereunder.

9.2 NWI may terminate Executive's employment if Executive's mental or physical condition, including alcohol and/or substance abuse, renders Executive incapable of performing his duties under this Agreement in a manner reasonably satisfactory to NWI's Board of Directors

(provided such decision is not arbitrary and capricious) for a period of more than ninety (90) days; however, the Companies shall continue to employ Executive, without pay or other remuneration, if such employment is necessary for the continuance of Executive's disability benefits.

9.3 In the event Executive's employment is terminated pursuant to section 9.1 or 9.2, Executive shall receive only his Base Salary, accrued and unpaid Incentive or other bonus (if any), and other benefits identified in paragraph 7 of this Agreement prorated through Executive's last day of employment.

9.4 NWI shall have the right to suspend Executive with full pay and benefits for any period of time that NWI's Board of Directors deems, in the exercise of its reasonable discretion, necessary and appropriate to investigate Executive's conduct referred to in this section.

10. TERMINATION BY EXECUTIVE

10.1 Executive shall have the right to terminate his employment pursuant to this Agreement without further liability hereunder (except that Executive shall continue to abide by the restrictions in paragraphs 14 and 16 herein) upon the occurrence of any one or more of the following events:

(a) If either of the Companies commit a material and non-trivial breach of the terms of this Agreement; or

(b) If Executive gives sixty (60) days prior written notice to the Companies.

10.2 In the event Executive terminates his employment pursuant to paragraph 10.1(a), he shall be entitled to: (i) $250,000, payable in two equal lump sum installments (less applicable taxes and withholdings) on the effective date of termination and six (6) months thereafter; (ii) the Incentive prorated for any period of: less than a full year; and (iii) continuance of all benefits identified in paragraph 7 of this Agreement for a period of 12 months.

10.3 In the event Executive terminates his employment pursuant to paragraph 10.1(b), Executive shall be entitled to receive only those payments and benefits set forth in paragraph 9.3 of this Agreement.

11. TERMINATION UPON DEATH

In the event of death of Executive during the term of this Agreement (`Including any renewal thereof), Executive's employment hereunder shall terminate as of the date of Executive's death, and his estate or personal representative shall be entitled to receive only those payments and benefits set forth in paragraph 9.3 of this Agreement, prorated through the date of Executive's death.

12. CHANGE OF CONTROL

12.1 For purposes of this section, a "Change of Control" means either of the following events:

(a) Any transaction or series of transactions as a result of which any person, firm, corporation, or combination of persons, firms, or corporations not dealing at arm's length within the meaning of the Income Tax Act [Canada] (referred to herein as the "Successor"), acquires 50 percent or more of the outstanding voting securities' of NWI or NWT; or

(b) The sale of 50 percent or more of NWI's assets to any purchaser (also, referred to herein as the "Successor") under circumstances in which the purchaser intends to carry on all or part of the business of NWT.

12.2 In the event of a Change of Control, the Companies shall pay Executive a single lump sum of $125,000 (less applicable taxes and withholdings) if Executive resigns from employment with the Companies, or the Successor within 30 days of the date of the Change of Control.

12.3 For purposes of this section, references to NWI or NWT includes Successors.

13. DEFERRED PLAN

Any payments received pursuant to paragraphs 8, 10.2, 10.3, 12.2, or 17.1 of this Agreement may, at Executive's option, be deferred as a general indebtedness of the Companies.

14. SECRECY AND NON-COMPETITION

14.1 All reports, manuals, memoranda, computer disks and tapes, and other materials created by Executive or made available to Executive by the Companies during the performance of his duties are the sole property of the Companies. Executive agrees to use all such property exclusively for the Companies' benefit and to return it, including any and all copies of such materials, to the Companies in the event of the termination of his employment.

14.2 Executive will protect the Confidential Information of the Companies, as defined below, from disclosure and will not divulge it, either during or after his employment, to any person or entity not associated with the Companies and entitled to receive such information. For purposes of this Agreement; the term "Confidential Information" includes, but is not limited to, non-public information, whether in tangible form or otherwise, concerning technology owned by the Companies, whether a "trade secret," or patented, or not; business and marketing plans; past; present, and prospective customer identities, lists, credit information, and purchasing patterns; pricing and marketing policies and practices; financial information; acquisition and strategic plans; and other operating policies and practices.

14.3 Executive shall not, during the term of this Agreement (including any renewal thereof) and for a period of 12 months thereafter, directly, indirectly, or through any other person, firm, corporation, or entity:

(a) be employed by, carry on, consult with, or provide any information to, any other business in competition with the Companies or any of its subsidiaries anywhere in Canada or the United Status; or

(b) call upon any client or prospective client of the Companies for the purpose of soliciting, servicing, or selling to such client or prospective client any products, systems, or services provided by the Companies; or

(c) solicit, divert, or take away any client of the Companies; or

(d) solicit any employee or consultant of the Companies to terminate his or her relationship with the Companies, or hire or attempt to hire any such employee or consultant to work with any entity engaged in competition with the Companies.

Such restrictions survive this Agreement regardless (of whether Executive's employment hereunder is terminated by the Companies with or without cause, or by Executive for any reason.

14.4 Executive represents and agrees that he has read and understands this Secrecy and Non-Competition part of the Agreement and that he is entering into this Agreement voluntarily.

14.5 If any portion of this "Secrecy and Non-Competition" section shall be determined to be invalid or unenforceable to any extent, the parties to this Agreement authorize the court to modify it to the maximum extent necessary to make this section enforceable; however, if the court for any reason declines to modify this section, the parties agree to select and authorize a mutually agreeable arbitrator to modify it to the extent necessary to make the provision enforceable, and authorize a court of competent jurisdiction to enforce this section, as so modified.

14.6 Executive understands that if he violates this Secrecy and Non-Competition agreement, the Companies will suffer irreparable harm for which there is no adequate remedy at law; therefore, in addition to any other remedies available to the Companies, the Companies shall be entitled to seek and obtain injunctive relief, including orders prohibiting violations of this Secrecy and Non-Competition agreement. The failure by the Companies to insist on Executive's compliance with this provision or enforce in any particular circumstance will not constitute a waiver by the Companies of the right to seek relief for any other or subsequent breach of this provision.

15. DUTIES

15.1 Executive shall, during the term of this Agreement, devote substantially all of his time and attention to the businesses of the Companies, and shall fully and faithfully perform, to the best of his abilities, all duties reasonably assigned to him by the Companies' respective CEOs and Boards of Directors.

15.2 Subject to section 15.1, Executive shall be entitled to (i) invest in any business, enterprise, or undertaking, directly or indirectly, for his own account or on behalf of or in conjunction with any person, firm, or corporation (or, with the written consent of NWI's Board of Directors, serve as an officer, director, or partner in the same, provided that such service does not involve participating in the ongoing operations of the business, enterprise, or undertaking, and appropriate liability coverage is maintained), or (ii) engage in, endorse, or associate himself with any political, religious, or charitable activities, organizations, or associations. With regard to any of the foregoing activities, Executive shall refrain from any activity which might interfere

with the performance of his obligations and duties under this Agreement or give rise to a conflict of interest.

15.3 The Companies agree to indemnify and hold a harmless against all costs, charges, expenses, suits, actions, causes of action, loss add damages, including any amount paid to settle any action or satisfy any Judgment, reasonably mired by Executive as a result of any civil, criminal, or administrative action or proceeding to which he is made a party by reason of any act or failure to act in the course and scope of his employment with the Companies, provided:

(a) The act or omission was in good faith, non-negligent, and for the sole benefit of the Companies; and

(b) In the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he had reasonable grounds for believing his conduct was lawful.

The indemnity contained in this section shall extend final the effective date of this Agreement to a date which is ten (l0) years following the date and which Executive ceases to be employed by the Companies. The Companies shall acquire reasonable and proper insurance to enable them to satisfy their obligations herein.

16. ASSIGNMENT OF INVENTIONS

16.1 Any and all inventions, discoveries, developments, designs, and/or improvements, whether or not patentable (collectively, "Inventions"), and any and all works of authorship, whether or not copyrightable (collectively, "Works"), and air and all trademarks, servicemarks, trade names, and service names (collectively, "Marks"), conceived, developed, or reduced to practice, alone or with others, or `caused to be conceived, developed, or reduced to practice, during Executive's term of employment with the Companies and either.

(a) resulting from any work performed by Executive for the Companies; or

(b) relating to the actual, contemplated, or foreseeable business of the Companies; or

(c) during Executive's working hours for the Companies or utilizing the Companies' facilities, materials, or proprietary information, .

will be and remain the sole and exclusive intellectual property of the Companies. Executive agrees to and hereby assigns all tight, title, and interest in and to each Invention, Work (including copyrights therein), and Mark to the Companies, free of any compensation to Executive beyond the compensation paid to Executive as an employee of the Companies.

16.2 It will be presumed, absent presentation of sufficient evidence to the Companies to satisfactorily rebut the presumption, that all Inventions, Works, and Marks conceived, made, or reduced to practice, or prepared or developed (as the case may be) by Executive, alone or with others, in the six month period immediately following Executive's term of employment with the Companies, which relate to the actual, contemplated, or foreseeable business of the Companies, were made ding the term of employment of Executive with the Companies.

16.3 Executive will promptly make full written disclosure to the Companies and to hold in trust for the sole right, benefit, and use of the Companies, all inventions, Works, and Marks. Upon the Companies' request, whether dazing or after the term of Executive's employment with the Companies, Executive will cooperate with the Companies' intellectual property counsel to prepare, review, execute, acknowledge, and deliver such applications) for the protection of the Invention, Work, or Mark, as the case may be, as the Companies may deem necessary or desirable to secure such protection, will assist the Companies or its counsel in the prosecution of each such application, and will execute such documents as the Companies or its counsel may deem necessary or desirable to perfect the assignment of all right, title, and interest in and to the respective Invention, Work, or Mark throughout the world to the Companies, including the tight to file application(s) for protection in all countries in the world, and to file for continuations, renewals, extensions, reissues, registrations, and foreign counterparts, and maintenance thereof, and will reasonably cooperate with the Companies in defending the validity or enforceability of such protection. All of these acts will be performed on the undemanding that the Companies will bear the reasonable and necessary expenses actually incurred for performance of these acts, and, if performed after the period of employment, that the Companies will pay Executive pro-rata at the per diem rate of pay Executive last received in their employ, for the time actually and necessarily spent for or in connection with the acts.

16.4 Executive agrees that any copyrights in work produced by him during his term of employment with the Companies which relate to past, present, or foreseeable business products, developments, technology, or activities of the Companies shall be the sole property of the Companies and Executive hereby waives any and all of his "moral rights" pertaining to any of the Works constituting the sole property of the Companies.

17. RENEWAL of TlLE AGREEMENT

No later than ninety (90) days before the expiration of the term of this Agreement, the parties agree to exercise their reasonable best efforts to conclude a new employment agreement. If the parries are unable to reach such an agreement and Executive resigns, then Executive is entitled to, and the Companies shall provide to Executive: (i) $ 250,000, payable in two equal installments (less applicable taxes and withholdings) on the effective date of termination and six (6) months thereafter, and (ii) all benefits identified in paragraph 7 for a period of twelve (12) months following the expiration of this Agreement.

18. REPRESENTATIONS AND WARRANTIES

The Companies represent and warrant to Executive that they:

(a) Are corporations duly incorporated, organized, validly existing, and in good standing under the laws of Delaware (NWI) and Alberta (NWT)-

(b) Have full corporate power and authority to execute and deliver this Agreement which constitutes its legal, valid, and binding obligations enforceable in accordance with its terms and

(c) Are licensed to do business in all Jurisdictions in which they presently carry on their business.

19. INITIAL CAPITALIZATION AND THE COMPANIES' OPTION TO REPURCHASE STOCK

19.1 The parties understand and agree that Executive is eligible to purchase 40,930 common stock shares in NWI at $1/share (U.S. Dollars) for $40,930 (U.S. Dollars) and that Executive will not be eligible to purchase shares pursuant to the offering of the $2,500,000 (U.S. Dollars) of "Follow-on Shares" to the "Initial Investors," as those terms are defined in the Series A Convertible Stock Purchase Agreement, notwithstanding that such subsequent equity infusion will dilute Executive's interest in the: Companies.

19.2 Subject to the rights granted in various agreements between the Companies and their preferred and common stock shareholders, Executive hereby grants to NWI the exclusive right and option to purchase all shares of stock in the Companies held by Executive in the event Executive's employment with the Companies ceases pursuant to paragraphs 9.1 or 10.1(b) of this Agreement, upon the terms and conditions set forth in paragraph 193. The Companies may elect to exercise this option at any time within sixty (60) days after Executive's employment with the Companies ceases by giving Executive written notice of such election.

19.3 The price per share for Executive's stock in the Companies shall be as follows:

(a) If Executive's employment ceases pursuant to paragraph 9.1: $1(U.S. Dollars) per share.

(b) If Executive's employment ceases pursuant to paragraph 10.1(b), the appraised value as determined by a mutually acceptable business appraiser.

20. GOVERNING LAW

This Agreement shall be governed by, and construed and enforced in accordance with the laws of the province of Alberta, Canada without regard to the conflicts of laws principles of such province.

21. PARAGRAPH HEADINGS

The paragraph headings in this Agreement are for convenience only they form no part of this Agreement and shall not affect its interpretation.

22. INVALIDITY

The provisions of this Agreement are independent of and severable from each other, and no provision shall be affected or rendered invalid or unenforceable by virtue of the fact that for any reason any other or others of them may be invalid or unenforceable in whole or in part.

23. EFFECTIVE DATE

This Agreement shall be effective as of the closing of the purchase agreement for the PCP assets presently owned by NovAtel Communications Ltd: and execution of related shareholder agreements.

24. INCLUDED WORDS

Words importing the singular number include the plural and vice versa. Where a term of expression is defined, derivations shall have corresponding meanings.

25. BINDING EFFECT

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and assigns.

26. ENTIRE AGREEMENT

This Agreement contains the entire understanding between the parties hereto with respect to the employment of Executive by the Company, and supersedes all prior and contemporaneous agreements and understandings, inducements and conditions, express or implied, oral or written, with respect to said employment. This Agreement may not be modified or amended other than by an agreement in writing.

27. CONSTRUCTION

The parties hereto acknowledge; and agree that each part y bas participated in the drafting of this Agreement and has had the opportunity to have this document reviewed by the respective legal counsel for the parties hereto and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be applied to the interpretation of this Agreement No inference is favor of, or against, any party shall be draws from the fact that one party bas drafted any portion hereof.

28. CURRENCY

Except as otherwise specifically stated herein, all references in this Agreement to dollars shall be to Canadian dollars.

29. NOTICES

All notices required or permitted to be given under this Agreement shall be in writing and shall be deemed given when delivered in person, or foe (5) business days after being mailed postage prepaid, registered with return receipt requested, addressed as follows:

a. If to the Companies:

NWI
6732 8 Street N.E.
Calgary, Alberta _
Canada T2E 8M4

b. If to Executive:

Mr: Ambrose Tam
325 Edgewiew Place N .W.
Calgary, Alberta
Canada T3A 4X4

Either party slay aster the address to which communications or copies are to be sent by goring notice of such change of address in conformity with the provisions of this paragraph for the giving of notice.

30. NO WAIVER OF RIGHTS

Neither any failure nor any delay on the part of either party to exercise any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of the same or of any other right, remedy, power or privilege, nor shall any waiver of any right, remedy, power or privilege with respect any occurrence be construed as a waiver of such right, remedy, power or privilege with respect two any other occurrence.

31. EXECUTION IN COUNTERPARTS

This Agreement map be executed in any amber of counterparts, each of which shall be deemed to be as original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument: This Agreement shall become binding when one or mere counterparts hereof, individually or taken together, shall bear the signatures of the parries reflected hereon as the signatories.

32. ARBITRATION

Any dispute or disagreement awing out of this Agreement or claimed breach, except that which involves a right to injunctive relief, shall be resolved by arbitration is accordance with the Arbitration Act [Alberta], unless the parties mutually agree otherwise. The award of the arbitrator shall be final and binding, and judgment may be catered upon the Arbitrator's decision in any court of competent jurisdiction.

IN WITNESS WHEREOF, the parties hereto have set their hands and seals as of the _____ day of _____, 1996.

SIGNED, SEALER & DELIVERED in the presence of:

_____	/s/ AMBROSE TAM
Witness	---
	AMBROSE TAM
_____	
Name	
_____	
Place of Residence	
NOVATEL WIRELESS, INC.	NOVATEL WIRELESS TECHNOLOGIES LTD
Per:/s/ ---	Per:/s/ ---
Per:_____	Per:_____

EXHIBIT 10.19

Standard Manufacturing Agreement
Solectron Confidential

STANDARD MANUFACTURING AGREEMENT

Solectron de Mexico ("Solectron") whose principal place of business is located at Prol. Lopez Mateos Sur 2915 Km. 6.5 Tlajomulco de Zuniga, Jalisco 45640 MEXICO and Novatel Wireless Inc. ("Customer") whose principal place of business is located at Suite 110, 9360 Towne Center Drive, San Diego, California, U.S.A. 92121, in their desire to formulate a strategic business relationship and to define their expectations regarding this relationship, hereby agree as follows:

1.0 PRECEDENCE:

1.1 This Agreement is intended by Solectron and Customer (the "Parties") to operate as a basic set of operating conditions regarding their respective business relationship. Product specific requirements along with specific business terms and conditions will be mutually agreed to and documented by an addendum to this Agreement.

1.2 It is the intent of the Parties that this Agreement, including the Non-Disclosure Agreement between the Parties referenced herein, and its addenda set forth the entire agreement and understanding of the Parties relating to the subject matter herein and merges all prior discussions and arrangements between them, and shall prevail over the terms and conditions of any purchase order, acknowledgment form or other instrument.

1.3 This Agreement may be executed in one or more counterparts, each of which will be deemed the original, but all of which will constitute but one and the same document. The Parties agree this Agreement, including the Non-Disclosure Agreement, and its addenda may not be modified except in writing signed by both Parties.

2.0 TERM

2.1 This Agreement shall commence on the effective date, August 8, 2000, and shall continue for an initial term of one (1) year. This Agreement shall automatically be renewed for successive one (1) year increments unless either Party requests in writing, at least ninety (90) days prior to the anniversary date, that this Agreement not be so renewed.

3.0 PRODUCT FORECAST AND PURCHASE ORDERS

3.1 It is agreed that Customer will provide Solectron, on a monthly basis, a rolling twelve (12) month forward-looking, non-binding Product Forecast. This section, as appropriate, may be modified in an addendum to reflect specific Product requirements. Such Product Forecasts do not represent any commitment by Customer to purchase any Products. Solectron may use such Product Forecasts for internal material planning requirements only.

3.2 Customer agrees to provide Solectron with Purchase Orders for finished Products twelve (12) weeks in advance of delivery (or as otherwise provided by an addendum). Such Purchase Orders will be deemed immediately accepted by Solectron provided the Purchase Orders do not deviate more than ten percent (10%) from the Product Forecasts.

3.3 Upon the basis of the Purchase Orders and Product Forecasts referred to in Sections 3.1 and 3.2, Solectron shall develop and deliver to Customer a master production schedule ("MPS") for a twelve month period as follows:

(a) the MPS will define the master plan upon which Solectron will base it's procurement activities, internal capacity projections and commitments to Customer hereunder;

(b) Solectron will use the Product Forecasts and Purchase Orders referred to in Sections 3.1 and 3.2 to generate the three months of the MPS; and

(c) Solectron will use the Product Forecasts referred to in Section 3.1 to generate the following nine months of the MPS.

The current Solectron MPS will be provided to the Customer the first working day of every month during the term of this Agreement.

3.4 Solectron will place orders to suppliers of components within a reasonable period prior to the anticipated date that the same are needed. On the first working day of each month, Solectron will provide to Customer the current lead-times by part number for all parts used in the Customer assemblies. For turnkey parts, Solectron will be the primary contact for all aspects of supplier evaluation, selection, process qualification, contract negotiation, cost reduction, performance management, cycle time/flexibility improvement, quality problem resolution, quarterly supplier reviews, and MRP/PO execution. Any such component supplier shall be made aware that the ultimate end-user of any such components is Customer and Customer shall be made aware of the identity of any such component supplier.

3.5 Solectron will provide a report containing quantity and financial exposure of components to be utilized for Customer. The turnkey components procured by

Solectron, will not be shown to Customer in detail in order to honor the relationship between suppliers, and other customers but Customer shall be provided with any reasonably necessary information with regard to such turnkey components or their suppliers.

3.6 Those components with on hand inventory greater than 2 months of the Customer Product Forecast will be considered excess inventory. The caring charge for excess inventory will be 2% on a monthly basis, upon notification to and verification by Customer. Customer shall pay charges net 30 (thirty) days.

3.7 Any Customer initiated reschedule or cancellation that results in unconsumed inventory after ninety (90) days will result in a 2% carrying charge on the inventory balance after ninety (90) days. Upon Customer request, Solectron shall undertake reasonable efforts to cancel all applicable component Purchase Orders and reduce component inventory through return for credit programs or allocate components for alternate programs to minimize charges to Customer. If a reschedule results in an inventory balance after 90 days, Customer and Solectron will pursue alternatives for inventory disposition, including sale of components, purchase of components by Customer or other commercially available disposition techniques.

3.8 Within one hundred twenty (120) days after expiration or any termination of this Agreement, Customer may purchase from Solectron such quantity of the Products as the Customer deems necessary for its future requirements by placing non-cancelable orders with Solectron with delivery dates to be mutually agreed upon by the Parties.

4.0 MATERIAL PROCUREMENT

4.1 In order to meet Customer's Purchase Order and Product Forecast requirements and additional agreed upon flexibility requirements, Solectron is authorized to purchase materials and make commitments to suppliers using standard purchasing practices including, but not limited to, acquisition of material recognizing ABC order policy from Solectron, and Solectron's supplier imposed minimum order quantities. Such materials should not exceed those reasonably necessary to meet the Purchase Order and Product Forecast requirements under Section 3 of this Agreement or any addendum relating thereto. Customer recognizes its financial responsibility for the material purchased by Solectron on behalf of Customer.

4.2 In the event where the Customer cancels any Purchase Orders, the Customer and Solectron agree to the following cancellation terms:

# DAYS FROM THE DAY OF NOTICE	CUSTOMER CANCELLATION LIABILITY:
0 - 30 days	The Customer is liable for 100% of the purchase price of Products scheduled to be delivered within 0-30 days of the date of cancellation.
31 - 60 days	The Customer is liable for the actual cost of all materials in Solectron's inventory and/or on-order which have published lead times of 31-60 days and which are related to the Products, as well as any Customer-unique materials in Solectron's inventory.
61+ days	The Customer may cancel any orders scheduled greater than sixty (60) days from the date of cancellation without liability except for custom inventory approved by the Customer.

Cancellation liability shall not apply to orders which are rescheduled by Customer and Solectron, or which are otherwise subject to cancellation charges. Furthermore, any liability is subject to Solectron's efforts to minimize such charges to the Customer pursuant to Sections 3.7 and 4.3 of this Agreement. Additionally, in determining actual cost to Solectron of components, Solectron shall provide any information reasonably requested by Customer in this regard.

4.3 Solectron shall undertake reasonable commercial efforts to cancel all applicable component Purchase Orders and reduce component inventory through return for credit programs or allocate components for alternate programs if applicable. It is the goal of both Customer and Solectron to implement VMI programs wherever possible to achieve the cost and lead-time objectives.

5.0 PRICE REVIEWS

5.1 Solectron and Customer will meet every three (3) months during the term of this Agreement to review pricing and determine whether any price increase or decrease is required. Any price change shall apply only to Purchase Orders issued after the effective date of such price change. If changes in the market break a guard band of two percent (2%) over or under the negotiated quarterly price, the cost review shall take place immediately.

5.2 The Customer is responsible for (a) any expediting charges reasonably necessary because of a change in Customer requirements not conforming to mutually agreeable flexibility terms; and (b) any reasonable overtime or downtime charges incurred as a result of delays in the normal production or interruption in the workflow process which is caused by (1) Customer's material changes in the Product Specifications; or (2) Customer's failure to provide sufficient quantities

or a reasonable quality level of consigned material where applicable to sustain the production schedule.

5.3 The price of Products to the Customer may be increased by Solectron if Solectron can demonstrate that the market price of fuels, materials, raw materials, equipment, labor and other production costs, increase beyond normal variations in pricing and (b) the Parties agree to the increase after good faith negotiation.

5.4 Solectron agrees to seek ways to reduce the cost of manufacturing Products by methods such as elimination of components, obtaining alternate sources of materials, negotiation of preferred terms with component suppliers, redefinition of Product Specifications, and improved assembly or test methods. On a Quarterly basis, Solectron agrees to target cost reductions of the standard cost of the bill of materials spent, for all Customer Products manufactured at Solectron. Upon implementation of cost reductions initiated by Solectron, Solectron will receive one-hundred percent (100%) of the demonstrated cost reduction for the first quarter after which such cost reductions are initiated; fifty percent (50%) for the second quarter after which such cost reductions are initiated; and after which time the Customer will receive one hundred percent (100%) of the demonstrated cost reductions. The Customer will receive one hundred percent (100%) of demonstrated cost reductions initiated by the Customer immediately upon implementation, and in consideration of the on hand inventory and on order inventory that can not be affected by the cost reduction. In those cases where the Customer requires an immediate implementation, the Customer will buy down the purchase price variance on control parts for on hand inventory and on order inventory that can not be affected by the cost reduction.

5.5 Every quarter, Solectron will send a report to Customer demonstrating to Customer items that were bought over or under the standard price for such items with a previous authorization from Customer. The Customer is obligated to pay any added variance through a Purchase Order upon receipt and after review of the report, but any additional cost shall be netted against any favorable variances to Customer which have arisen during the same quarter.

6.0 DELIVERY

6.1 Time is of the essence with regard to the delivery of Products by Solectron. Therefore, Solectron will target 100% on time delivery, defined as shipment of Product by Solectron within a window of three (3) days early and zero days late (of acknowledged date).

6.2 The FOB point is ex factory.

6.3 Upon learning of any potential delivery delays, Solectron will notify Customer as to the cause and extent of such delay.

6.4 If Solectron fails to make deliveries at the specified time and such failure is caused by Solectron, Solectron will, at no additional cost to Customer, employ accelerated measures such as material expediting fees, premium transportation costs, or labor overtime required to meet the specified delivery schedule or minimize the lateness of deliveries.

6.5 Should Customer require Solectron to undertake export activity on behalf of Customer, Customer agrees to submit requested export information to Solectron pursuant to Solectron Guidelines for Customer-Driven Export Shipments as provided in the addenda. If this activity affects the original agreed-upon price for the Products, it will be necessary to review the pricing, and such pricing may be changed upon the mutual consent of both Parties.

6.6 In the event Customer shall require decreased quantities of the Products from those originally scheduled for delivery at a specific date, Solectron and Customer, each acting reasonably and in good faith, shall agree upon a rescheduled delivery date for the decreased quantities of the Products within forth-five (45) days of the original delivery date.

6.7 For any Purchase Order issued in accordance to this Agreement, Customer may (i) increase the quantity of Products or (ii) reschedule the quantity of Products and their shipment date as provided in the table below:

Maximum Allowable Variance From Purchase Order Quantities/Shipment Dates

# of days before Shipment Date on Purchase Order	Allowable Quantity Increases	Maximum Reschedule Quantity	Maximum Reschedule Period
0-30	10%	0	0
30-60	50%	75%	45 days
61 +	100%	100%	unlimited

However, should Customer require additional flexibility with regard to rescheduling of Product delivery or Product quantity increases, Customer and Solectron shall use their best efforts to agree upon a revised delivery schedule or increased purchase quantity acceptable to both Parties. Any pricing surcharge for such additional flexibility shall in no case exceed 2% of the aggregate purchase price of the rescheduled or increased quantity of Products, notwithstanding any additional costs relating to storage, processing or handling.

6.8 If the Customer changes the delivery dates of the Products by a period exceeding ninety (90) days in the aggregate, and if such change results in additional expenses to Solectron to store such Products, such additional reasonable expenses shall be borne by Customer. However, any such expenses shall not exceed two

percent (2%) per month of the aggregate purchase price of any such Products so stored.

7.0 PAYMENT TERMS

7.1 Solectron and Customer agree to payment terms of Net 30 days from the date of invoice.

7.2 Currency will be in U.S. Dollars unless specifically negotiated and reflected in the addenda.

7.3 Until the purchase price and all other charges payable to Solectron have been received in full, Solectron retains and Customer grants to Solectron a security interest in the Products delivered to Customer and any proceeds therefrom.

8.0 QUALITY

8.1 Solectron shall manufacture the Products in accordance with any quality requirements, standards and expectations as mutually agreed to and reflected in the addenda or any amendment hereto.

8.2 Customer has the right at all reasonable times, upon reasonable advance written notice, to visit Solectron's facilities to inspect the work being performed on the Products pursuant hereto, provided such inspection shall not unduly affect Solectron's operations and provided Customer and its representatives shall be on Solectron's facilities at Customer's sole risk. Inspection of the work by Customer shall not relieve Solectron of any of its obligations under the Agreement or any Purchase Orders. Solectron shall provide Customer with all mutually agreed upon quality reports at agreed upon intervals. Solectron reserves the right to limit Customer's access to its facilities or any specified area to protect confidential information of Solectron or its other customers or third parties.

8.3 Customer and Solectron working jointly will implement a joint quality improvement program to improve quality and to reduce costs for Products.

8.4 Solectron shall manufacture the Customer's Products in accordance to an industry workmanship standard, agreed to by both Parties. Unless otherwise specified by the Customer, Solectron will manufacture the Customer's Products as per ANSI/IPC-A-610 Revision B "Acceptability Of Electronic Assemblies", Class 2 "Dedicated Service Electronic Products".

8.5 If Products manufactured by Solectron are tested using equipment and fixtures supplied by the Customer, Solectron will be responsible to ensure that the equipment and fixtures have been calibrated and maintained at a regular interval

as recommended by the manufacturer, and that the equipment and fixtures are in proper operating condition. Calibration of equipment is to be performed by qualified, licensed individuals and with equipment traceable to National Standards. Any charges relating to calibration shall be borne by Customer.

8.6 Solectron is responsible for assuring that the Products are delivered to Customer only after the Products successfully complete the specified inspection and test processes. If the Products are being tested using equipment, fixtures, and/or software provided by the Customer, Solectron is not responsible for product functionality beyond that assured by the Customer provided test processes. Product testing is to be performed in accordance to product specifications and test procedures, which will be mutually agreed upon by Solectron and Customer.

8.7 Solectron is responsible to provide the following reports for each shipment of Products:

(a) Defects per Million ("DPM") or Parts per Million ("PPM") for in-circuit test when performed;

(b) DPM or PPM for each functional test performed;

(c) Statistical control charts for each of the key processes as identified by Customer from time to time, as agreed to by Solectron, such agreement not to be unreasonably withheld, and

(d) Details concerning all test failures and their root causes.

8.8 Solectron shall maintain a data acquisition system for all test data collected and will provide such data to Customer upon Customer's reasonable request. Solectron shall also provide data and information reasonably requested by Customer regarding material procurement activities, works-in-progress, process yields, and the like.

9.0 ENGINEERING CHANGES

9.1 Customer may require, by written demand, that Solectron incorporate engineering changes into the Products. Such demand shall include a description of the proposed engineering change sufficient to permit Solectron to evaluate its feasibility and cost. Solectron's evaluation shall be in writing and shall state the costs and time of implementation and the impact on the delivery schedule and pricing of the Products. However, Solectron will not be obligated to proceed with the engineering change until the Parties have agreed upon the changes to the Product Specifications, delivery schedule and Product pricing and upon the implementation costs to be borne by the Customer including, without limitation, the cost of inventory and special inventory on-hand and on-order that becomes

obsolete. Both Parties shall use their best efforts to resolve any such outstanding issues.

9.2 Solectron agrees not to undertake significant process changes, design changes, or process step discontinuance affecting electrical performance and/or mechanical form and fit without prior written notification and concurrence of the Customer.

10.0 INVENTORY MANAGEMENT

10.1 Solectron agrees to purchase components according to the Customer approved vendor list (AVL) including any sourcing plans as provided by the addenda.

10.2 All customer tooling/equipment furnished to Solectron or paid for by Customer in connection with this Agreement shall:

a) Be clearly marked and remain the personal property of Customer.
b) Be kept free of liens and encumbrances.
c) Unless otherwise agreed, Customer is responsible for the general maintenance of Customer tooling/equipment.

Solectron shall hold Customer property at its own risk and shall not modify the property without the written permission of Customer. Upon Customer's request, Solectron shall redeliver the property to Customer in the same condition as originally received by Solectron with the exception of reasonable wear and tear. In the event the property is lost, damaged or destroyed, Solectron's liability for the property is limited to the book value of the property.

11.0 CONFIDENTIAL INFORMATION

11.1 Solectron and Customer agree to execute, as part of this Agreement, a Nondisclosure Agreement for the reciprocal protection of confidential information.

11.2 Subject to the terms of the Nondisclosure Agreement and the proprietary rights of the parties, Solectron and Customer agree to exchange, at least semi-annually, relevant process development information and business plans to include market trends, process technologies, product requirements, new product developments, available capacity and other information to support technology advancements by both Solectron and Customer. Such Confidential Information shall be utilized only for purposes of carrying out the terms and conditions of this Agreement, and shall be used for no other purpose. Specifically, and without limitation, Solectron agrees not to used any Confidential Information of Customer in the manufacturer

of products for any other customer of Solectron, without the prior express written consent of Customer.

12.0 WARRANTY

12.1 Solectron warrants for a period of one (1) year from the date of manufacture of the Products, that (i) the Products will conform to the specifications applicable to such Product at the time of its manufacture, which are furnished in writing by Customer; (ii) such Products will be of good material (supplied by Solectron) and workmanship and free from defects for which Solectron is responsible in the manufacture; (iii) such Products will be free and clear of all liens and encumbrances and that Solectron will convey good and marketable title to such Products. Warranties on any components purchased from third-party vendors ("Vendor Components") are limited to the warranties provided by the component manufacturers or Vendors. Solectron will use reasonable commercial efforts to make all warranties of its component suppliers assignable to Customer. Solectron shall pass on any unexpired assignable warranties for any such Vendor Components to Customer until the expiration of such warranties or up to a maximum of one year from the date of manufacture of the Products by Solectron, whichever period is lesser. In the event that any Products manufactured shall not be in conformity with the foregoing warranties, Solectron shall, at Solectron's option, either credit Customer for any such nonconformity (not to exceed the purchase price paid by Customer for such Products), or, at Solectron's expense, replace, repair or correct such Products. The foregoing constitutes Customer's sole remedies against Solectron for breach of warranty claims.

12.2 Solectron shall have no responsibility or obligation to Customer under warranty claims with respect to Products that have been subjected to abuse, misuse, accident, alteration, neglect or unauthorized repair.

THE WARRANTIES CONTAINED IN THIS SECTION ARE IN LIEU OF, AND SOLECTRON EXPRESSLY DISCLAIMS AND CUSTOMER WAIVES ALL OTHER REPRESENTATIONS AND WARRANTIES, EXPRESS, IMPLIED, STATUTORY OR ARISING BY COURSE OF DEALING OR PERFORMANCE, CUSTOM, USAGE IN THE TRADE OR OTHERWISE, INCLUDING WITHOUT LIMITATION THE IMPLIED WARRANTIES OF MERCHANTABILITY, TITLE AND FITNESS FOR A PARTICULAR USE.

13.0 TERMINATION

13.1 If either Party fails to meet one or more of the material terms and conditions stated in either this Agreement or the addenda, Solectron and Customer agree to negotiate in good faith to resolve such default. If the defaulting Party fails to cure such default or submit an acceptable written plan to resolve such default within thirty (30) days following notice of default, the nondefaulting Party shall have the

right to terminate this Agreement by furnishing the defaulting Party with thirty (30) days written notice of termination.

13.2 This Agreement shall immediately terminate should either Party; (i) become insolvent; (ii) enter into or file a petition, arraignment or proceeding seeking an order for relief under the bankruptcy laws of its respective jurisdiction; (iii) enter into a receivership of any of its assets or; (iv) enter into a dissolution of liquidation of its assets or an assignment for the benefit of its creditors.

13.3 Either Solectron or Customer may terminate this Agreement without cause by giving one hundred eighty (180) days advance written notice to the other Party.

13.4 Upon termination, Customer shall have the right to receive all related stock, work-in-progress, and finished Products.

14.0 DISPUTE RESOLUTION

14.1 In the spirit of continued cooperation, the Parties intend to and hereby establish the following dispute resolution procedure to be utilized in the unlikely event any controversy should arise out of or concerning the performance of this Agreement.

14.2 It is the intent of the Parties that any dispute be resolved informally and promptly through good faith negotiation between Solectron and Customer. Either Party may initiate negotiation proceedings by written notice to the other Party setting forth the particulars of the dispute. The Parties agree to meet in good faith to jointly define the scope and a method to remedy the dispute. If these proceedings are not productive of a resolution, then senior management of Solectron and Customer are authorized to and will meet personally to confer in a bona fide attempt to resolve the matter.

14.3 Should any disputes remain existent between the Parties after completion of the two-step resolution process set forth above, then the Parties shall promptly submit any dispute to mediation with an independent mediator. In the event mediation is not successful in resolving the dispute, the Parties agree to submit the dispute to binding arbitration as provided by their respective jurisdiction.

15.0 LIMITATION OF LIABILITY

IN NO EVENT, WHETHER AS A RESULT OF BREACH OF CONTRACT, WARRANTY, OR TORT (INCLUDING NEGLIGENCE), STRICT LIABILITY, PRODUCT LIABILITY, OR OTHERWISE, SHALL EITHER PARTY BE LIABLE TO THE OTHER FOR ANY SPECIAL, INCIDENTAL, CONSEQUENTIAL, EXEMPLARY DAMAGES OF ANY KIND WHETHER OR NOT EITHER PARTY WAS ADVISED OF THE POSSIBILITY OF SUCH DAMAGE.

16.0 INDEMNITY

16.1 Solectron will, at its expense, defend, indemnify and hold harmless Customer and its officers, employees and agents from and against any and all losses, costs, liabilities and expenses (including reasonable attorneys fees) arising out of any action brought against Customer or any of its customers based on (i) a claim that Solectron's manufacturing process for the Products infringes the intellectual property rights of any third party, (ii) a claim that Products manufactured by Solectron that fail to conform to Customer's specifications, whether due to defects or engineering changes by Solectron, infringe the intellectual property rights of any third party, to the extent that such claim would have been obviated if such products were manufactured according to Customer's specifications, (iii) any negligence or willful misconduct in the manufacture of Products (except to the extent such damages result from a defect in the specification submitted and/or instructed by Customer) by Solectron, its employees, agents and subcontractors, including but not limited to any such act or omission that contributes to: (a) bodily injury, sickness, disease or death; (b) any injury or destruction to tangible or intangible property of the injured party or any loss of use resulting therefrom; or (c) any violation of any statute, ordinance or regulation.

16.2 Customer will, at its expense, defend, indemnify and hold harmless Solectron and its officers, employees and agents from and against any and all losses, costs, liabilities and expenses (including reasonable attorneys fees) arising out of any action brought against Solectron based on a claim that the Products manufactured in compliance with Customer's specifications infringe the intellectual property rights of a third party.

16.3 The indemnification obligations specified above arise only if the indemnified Party: (i) gives the indemnifying Party prompt notice of any such claims; (ii) permits the indemnifying Party to direct the defense and the settlement of such claims.

17.0 GENERAL

17.1 Each Party to this Agreement will maintain insurance to protect itself from claims (i) by the Party's employees, agents and subcontractors under Worker's Compensation and Disability Acts, (ii) for damages because of injury to or destruction of tangible property resulting out of any negligent act, omission or willful misconduct of the Party or the Party's employees or subcontractors, (iii) for damages because of bodily injury, sickness, disease or death of its employees or any other person arising out of any negligent act, omission, or willful misconduct of the Party or the Party's employees, agents or subcontractors.

17.2 Neither Party shall delegate, assign or transfer its rights or obligations under this

Agreement, whether in whole or part, without the written consent of the other Party. A Change of Control, meaning a direct or indirect change in the ownership or control of the shares of either Party, whether by merger, sale, acquisition or otherwise, shall not be considered an assignment of this Agreement. Failure by either Party to enforce any provision of this Agreement shall not be deemed to be a continuing waiver or a waiver of any other default or other term and condition. The rights and liabilities of the Parties hereto will bind and inure to the benefit of their respective successors.

17.3 Neither Party shall be liable for any failure or delay in its performance under this Agreement due to acts of God, acts of civil or military authority, fires, floods, earthquakes, riots, wars or any other cause beyond the reasonable control of the delayed Party provided that the delayed Party: (i) gives the other Party written notice of such cause within fifteen (15) days of the discovery of the event; and (ii) uses its reasonable efforts to remedy such delay in its performance.

17.4 This Agreement shall be governed by, and construed in accordance with the laws of the State of California, excluding its conflict of laws provisions. In any action to enforce this Agreement, the prevailing Party shall be awarded all court costs and reasonable attorney fees incurred.

17.5 Solectron agrees to promptly inform Customer if it becomes aware of any material threat to the uninterrupted production and delivery of the Products that may develop from time to time from any cause whatsoever, regardless of whether the cause is attributable to events internal or external to Solectron.

17.6 During the Term of this Agreement and in perpetuity thereafter, Solectron shall not have the right, without the prior written consent of Customer, to manufacture, anywhere in the world, products based on Customer designs and/or other Customer intellectual property, other than the manufacture of products pursuant to this Agreement or based on Customer designs and/or other Customer intellectual property in respect of which title to or the right to use has been legally acquired by Solectron or by a third party which engages Solectron for the purposes of manufacturing such products.

17.7 Any required notices hereunder will be given in writing to the addresses set forth below, or at such other address as either Party may substitute by written notice to the other in the manner contemplated herein, and will be deemed to be received when hand-delivered or delivered by facsimile:

If to Solectron:

Facsimile: 408 945-7181 Attention: Monojit Raha

If to Customer:

Novatel Wireless, Inc.
Suite 110, 9360 Towne Center Drive
San Diego, CA
U.S.A. 92121

Facsimile: _____ Attention: Vice President, Manufacturing

Agreed:

Solectron Corporation	Novatel Wireless Inc.
By: /s/ ALEJANDRO GOMEZ	By: /s/ JOHN WEITZNER
Name: Alejandro Gomez	Name: John Weitzner
Title: GM	Title:
Date: 8/08/2000	Date: August 4, 2000

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our report and to all references to our Firm included in or made a part of this Amendment No. 2 to Registration Statement No. 333-42570.

/s/ Arthur Andersen LLP

San Diego, California
September 13, 2000

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1,000

YEAR	YEAR	YEAR	6-MOS	6-MOS
DEC-31-1997	DEC-31-1998	DEC-31-1999	DEC-31-1999	DEC-31-2000
JAN-01-1997	JAN-01-1998	JAN-01-1999	JAN-01-1999	JAN-01-2000
DEC-31-1997	DEC-31-1998	DEC-31-1999	JUN-30-1999	JUN-30-2000
0	3,497	25,455	0	32,735
0	296	0	0	0
0	607	1,345	0	5,368
0	(44)	(181)	0	233
0	656	4,706	0	10,165
0	5,280	36,718	0	50,340
0	904	1,346	0	5,739
0	0	0	0	2,249
0	6,184	38,118	0	55,254
0	1,897	20,949	0	23,371
0	0	0	0	0
0	0	0	0	45,862
0	14,812	43,805	0	5,000
0	3	3	0	10,000
0	0	0	0	(18,594)
0	6,184	38,118	0	55,254
3,354	5,378	9,556	2,095	15,931
3,354	5,378	9,556	2,095	15,931
1,136	3,433	11,955	2,528	18,014
6,717	7,629	12,860	4,228	14,129
0	0	10	(1)	6
0	0	0	0	0
0	0	3,267	0	20
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
(4,476)	(5,506)	(18,469)	(4,637)	(15,936)
(0.51)	(0.69)	(2.04)	(.55)	(1.80)
(0.51)	(0.69)	(2.04)	(.55)	(1.80)