UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K/A
(Amendment No. 1)

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

For fiscal year ended December 31, 2009

OR

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

For the transition period from ___________ to ___________.

Commission file number: 0-31659

NOVATEL WIRELESS, INC.
(exact name of registrant as specified in its charter)

Delaware	**86-0824673**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
9645 Scranton Road San Diego, California	**92121**
(Address of Principal Executive Offices)	**(zip code)**

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

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, par value $.001 per share

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☒ Non-Accelerated filer ☐ Smaller Reporting Company ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the voting common stock held by non-affiliates of the Registrant, based on the closing price of the Registrant's common stock on June 30, 2009, as reported by The Nasdaq Global Select Market, was approximately $188,411,961. For the purposes of this calculation, shares owned by officers and directors (and their affiliates) have been excluded. This exclusion is not intended, nor shall it be deemed, to be an admission that such persons are affiliates of the Registrant. The Registrant does not have any non-voting stock issued or outstanding.

The number of shares of the Registrant's common stock outstanding as of March 11, 2010 was 31,194,209.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement for the 2010 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A are incorporated by reference into Part III of this Form 10-K to the extent stated herein.

EXPLANATORY NOTE

This Amendment No. 1 to the Annual Report on Form 10-K ("Amended Form 10-K") of Novatel Wireless, Inc. ("we" or "Novatel") amends our Annual Report on Form 10-K for the year ended December 31, 2009 filed with the Securities and Exchange Commission ("SEC") on March 12, 2010 (the "Original Form 10-K"). This Amended Form 10-K does not reflect a change in our results of operations or financial position as reported in the Original Form 10-K. Instead, this Amended Form 10-K is filed solely to correct a typographical error in the date of the report of our former independent registered public accounting firm, KPMG LLP ("KPMG"), being reflected as March 12, 2010. This Amended Form 10-K corrects the audit report of KPMG and the reference thereto included in the consent in Exhibit 23.2 to the Original Form 10-K to reflect the correct date of March 15, 2009.

As disclosed in our Current Report on Form 8-K filed with the SEC on June 9, 2009, we dismissed KPMG as our independent registered public accounting firm in June 2009. KPMG did not perform any audit procedures for the year ended December 31, 2008 beyond the March 15, 2009 report date identified in our Annual Report on Form 10-K for the year ended December 31, 2008. KPMG did not issue an audit report pertaining to the December 31, 2009 audit period.

Except as described above, no other amendments are being made to the Original Form 10-K. This Amended Form 10-K does not reflect events occurring after the Original Form 10-K or modify or update the disclosure contained therein in any other way other than as required to reflect the amendment discussed above. Pursuant to Rule 12b-15 promulgated under the Securities Exchange Act of 1934, as amended, "Item 8. Financial Statements and Supplementary Data" and "Item 15. Exhibits and Financial Statement Schedules," as amended, are being included in their entirety in this Amended Form 10-K.

Item 8. ***Financial Statements and Supplementary Data***

The index to our consolidated financial statements and the Report of Independent Registered Public Accounting Firm appears in Part IV of this report.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

(a) 1. Index to consolidated financial statements

See Index to consolidated financial statements on page F-1.

2. Index to financial statement schedules

The following financial statement schedules for the years ended December 31, 2009, 2008, and 2007 should be read in conjunction with the consolidated financial statements, and related notes thereto.

Schedule	Page
Schedule II—Valuation and Qualifying Accounts	F-32

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

(b) Exhibits

The following Exhibits are filed as part of, or incorporated by reference into this report:

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, filed March 27, 2001).
3.2	Certificate of Amendment to Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2002, filed November 14, 2002).
3.3	Certificate of Amendment to Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.2 to the Company's Amendment No. 1 to Form 10-K on Form 10-K/A for the year ended December 31, 2003, filed March 31, 2004).
3.4	Amended and Restated Certificate of Designation of Series A Convertible Preferred Stock (incorporated by reference to Exhibit 3.4 to the Company's Amendment No. 1 to Form 10-K on Form 10-K/A for the year ended December 31, 2003, filed March 31, 2004).
3.5	Certificate of Designation of Series B Convertible Preferred Stock (incorporated by reference to Exhibit 3.5 to the Company's Amendment No. 1 to Form 10-K on Form 10-K/A for the year ended December 31, 2003, filed March 31, 2004).
3.6	Bylaws (incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, filed on March 27, 2001).
4.1	Amended and Restated Registration Rights Agreement, dated as of June 15, 1999, by and among the Company and certain of its stockholders (incorporated by reference to Exhibit 10.4 to the Company's Registration Statement on Form S-1 (No. 333-42570), filed July 28, 2000, as amended).
4.2	Form of Securities Purchase Agreement entered into in connection with the Company's 2003 Series B Convertible Preferred Stock Financing (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed March 28, 2003).
4.3	Registration Rights Agreement, dated as of March 12, 2003, entered into in connection with the Company's 2003 Series B Convertible Preferred Stock Financing (incorporated by reference to Exhibit 4.8 to the Company's Current Report on Form 8-K, filed March 28, 2003).

Exhibit Number	Description
4.4	Registration Rights Agreement, dated as of January 13, 2004, entered into in connection with the Company's January 2004 Common Stock and Warrant Financing Transaction (incorporated by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003, filed March 15, 2004).
10.1*	Amended and Restated 1997 Employee Stock Option Plan ("1997 Plan") (incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-1 (No. 333-42570), filed July 28, 2000 as amended).
10.2*	Amended and Restated Novatel Wireless, Inc. 2000 Stock Incentive Plan ("2000 Plan") (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007, filed August 9, 2007).
10.3*	Form of Executive Officer Stock Option Agreement under the 2000 Plan (incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 2005, filed March 16, 2006).
10.4*	Form of Director Stock Option Agreement under the 2000 Plan (incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K for the year ended December 31, 2005, filed March 16, 2006).
10.5*	Form of Amendment of Stock Option Agreements, dated July 20, 2006, by and between the Company and Optionee with respect to the 1997 Plan (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2006, filed November 9, 2006).
10.6*	Form of Amendment of Stock Option Agreements, dated July 20, 2006, by and between the Company and Optionee with respect to the 2000 Plan (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2006, filed November 9, 2006).
10.7*	Form of Amendment of Stock Option Agreements, dated July 20, 2006, by and between the Company and Optionee with respect to the 2000 Plan and grants made pursuant thereto in 2004 and subsequently (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2006, filed November 9, 2006).
10.8*	Amended and Restated Novatel Wireless, Inc. 2000 Employee Stock Purchase Plan (incorporated by reference to Exhibit 99.1 to the Company's Registration Statement on Form S-8, filed November 10, 2009).
10.9*	Form of Restricted Share Award Agreement for restricted stock granted to non-employee directors (incorporated by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2006, filed August 9, 2006).
10.10*	Form of Restricted Share Award Agreement for restricted stock granted to executive officers (incorporated by reference to Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2006, filed August 9, 2006).
10.11*	Form of Indemnification Agreement by and between the Company and each of its executive officers and directors (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2009, filed November 2, 2009).
10.12*	Form of Change of Control Letter Agreement by and between the Company and certain of its executive officers (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2004, filed August 16, 2004).

Exhibit Number	Description
10.13*	Employment Agreement, dated November 2, 2007, by and between Peter V. Leparulo and the Company (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007, filed November 9, 2007).
10.14*	2009 Omnibus Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed June 24, 2009).
10.15*	2009 Senior Management Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed July 24, 2009).
21	Subsidiaries of Novatel Wireless, Inc. (incorporated by reference to Exhibit 21 to the Company's Annual Report on Form 10-K for the year ended December 31, 2005, filed March 16, 2006).
23.1**	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.
23.2**	Consent of KPMG LLP, Independent Registered Public Accounting Firm.
24	Power of Attorney (See signature page to the Company's Annual Report on Form 10-K for the year ended December 31, 2009 filed March 12, 2010).
31.1**	Certification of our Principal Executive Officer adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2**	Certification of our Principal Financial Officer adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Management contract, compensatory plan or arrangement

** Filed herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 16, 2010

NOVATEL WIRELESS, INC.

By: /s/ PETER LEPARULO

Peter Leparulo
Chairman and Chief Executive Officer
(Principal Executive Officer)

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

NOVATEL WIRELESS, INC.

CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

	As of December 31, 2009	As of December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 100,025	$ 77,733
Marketable securities	27,664	58,536
Accounts receivable, net of allowance for doubtful accounts of $741 in 2009 and $1,010 in 2008	36,299	40,072
Inventories	24,973	23,229
Deferred tax assets, net	6,465	7,513
Prepaid expenses and other	4,738	9,923
Total current assets	200,164	217,006
Property and equipment, net of accumulated depreciation of $40,279 in 2009 and $33,417 in 2008	14,911	20,225
Marketable securities	48,355	6,962
Intangible assets, net of accumulated amortization of $2,441 in 2009 and $8,568 in 2008	1,513	1,860
Deferred tax assets, net	17,248	14,402
Other assets	316	276
Total assets	$ 282,507	$ 260,731
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 27,460	$ 23,225
Accrued expenses	23,236	20,628
Total current liabilities	50,696	43,853
Capital lease obligations, long-term	184	269
Other long-term liabilities	20,472	18,647
Total liabilities	71,352	62,769
Commitments and contingencies		
Stockholders' equity:		
Series A and B preferred stock, par value $0.001; 2,000 shares authorized and none outstanding	—	—
Common stock, par value $0.001; 50,000 shares authorized, 31,092 and 30,327 shares issued and outstanding at December 31, 2009 and 2008, respectively	31	30
Additional paid-in capital	416,579	407,252
Accumulated other comprehensive income	15	62
Accumulated deficit	(180,470)	(184,382)
	236,155	222,962
Treasury stock at cost; 2,436 common shares at December 31, 2009 and 2008, respectively	(25,000)	(25,000)
Total stockholders' equity	211,155	197,962
Total liabilities and stockholders' equity	$ 282,507	$ 260,731

See accompanying notes to consolidated financial statements

NOVATEL WIRELESS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Year Ended December 31,		
	2009	2008	2007
Net revenues	$ 337,422	$ 320,973	$ 429,903
Cost of revenues	249,764	252,231	299,062
Gross profit	87,658	68,742	130,841
Operating costs and expenses:			
Research and development	44,892	34,740	37,558
Sales and marketing	19,857	18,195	20,937
General and administrative	20,159	21,550	18,899
Total operating costs and expenses	84,908	74,485	77,394
Operating income (loss)	2,750	(5,743)	53,447
Other income (expense):			
Interest income, net	1,374	4,282	5,592
Other income (expense), net	315	(729)	479
Income (loss) before taxes	4,439	(2,190)	59,518
Income tax expense (benefit)	527	(947)	20,756
Net income (loss)	$ 3,912	$ (1,243)	$ 38,762
Per share data:			
Net income (loss) per share:			
Basic	$ 0.13	$ (0.04)	$ 1.23
Diluted	$ 0.13	$ (0.04)	$ 1.21
Weighted average shares used in computation of basic and diluted net income (loss) per share:			
Basic	30,648	31,159	31,389
Diluted	31,224	31,159	32,007

See accompanying notes to consolidated financial statements

NOVATEL WIRELESS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)
(in thousands)

	Common Stock		Additional Paid-in Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Total Comprehensive Income (Loss)
	Shares	Amount						
Balance, December 31, 2006	29,743	$ 30	$ 356,138	$ —	$ (221,901)	$ (31)	$ 134,236	
Exercise of stock options, warrants and shares issued under employee stock purchase plan	2,859	3	24,987	—	—	—	24,990	$ —
Net tax effect from stock options exercised	—	—	9,810	—	—	—	9,810	—
Share-based compensation	—	—	9,851	—	—	—	9,851	—
Net income	—	—	—	—	38,762	—	38,762	38,762
Other comprehensive income:								
Unrealized gain on marketable securities, net of taxes	—	—	—	—	—	96	96	96
Total comprehensive income								$ 38,858
Balance, December 31, 2007	32,602	33	400,786	—	(183,139)	65	217,745	
Exercise of stock options, vesting of restricted stock units and awards, and shares issued under employee stock purchase plan	161	—	435	—	—	—	435	$ —
Net tax effect from stock options exercised	—	—	(155)	—	—	—	(155)	—
Share-based compensation	—	—	6,183	—	—	—	6,183	—
Repurchase of common stock	(2,436)	(3)	3	(25,000)	—	—	(25,000)	—
Net loss	—	—	—	—	(1,243)	—	(1,243)	(1,243)
Other comprehensive income:								
Unrealized loss on marketable securities, net of taxes	—	—	—	—	—	(3)	(3)	(3)
Total comprehensive loss								$ (1,246)
Balance, December 31, 2008	30,327	30	407,252	(25,000)	(184,382)	62	197,962	
Exercise of stock options, vesting of restricted stock units and shares issued under employee stock purchase plan	765	1	2,669	—	—	—	2,670	$ —
Net tax effect from stock options exercised	—	—	(224)	—	—	—	(224)	—
Share-based compensation	—	—	6,882	—	—	—	6,882	—
Net income	—	—	—	—	3,912	—	3,912	3,912
Other comprehensive income:								
Unrealized loss on marketable securities, net of taxes	—	—	—	—	—	(47)	(47)	(47)
Total comprehensive income								$ 3,865
Balance, December 31, 2009	31,092	$ 31	$ 416,579	$ (25,000)	$ (180,470)	$ 15	$ 211,155	

See accompanying notes to consolidated financial statements

NOVATEL WIRELESS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31, 2009	2008	2007
Cash flows from operating activities:			
Net income (loss)	$ 3,912	$ (1,243)	$ 38,762
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	12,994	11,563	10,953
Loss (gain) on disposal of fixed assets	(11)	(12)	102
Impairment loss on equipment and intagible assets	92	840	—
Provision for bad debts	35	1,256	309
Inventory provision	2,305	8,198	2,798
Share-based compensation expense	6,882	6,183	9,851
Excess tax benefits from equity based awards	(282)	(117)	(9,290)
Non-cash income tax benefit	(1,798)	(4,579)	(4,844)
Changes in assets and liabilities:			
Accounts receivable	3,738	30,615	(24,478)
Inventories	(5,514)	(6,851)	(3,012)
Prepaid expenses and other assets	4,826	(5,104)	(1,202)
Accounts payable	3,930	(15,551)	(799)
Accrued expenses, income taxes, and other	5,552	602	30,830
Net cash provided by operating activities	36,661	25,800	49,980
Cash flows from investing activities:			
Purchases of property and equipment	(5,770)	(8,609)	(16,204)
Proceeds from sale of property and equipment	—	—	125
Purchases of intangible assets	(1,066)	(1,289)	(240)
Purchases of securities	(76,967)	(85,094)	(88,336)
Securities maturities/sales	66,399	88,005	69,570
Net cash used in investing activities	(17,404)	(6,987)	(35,085)
Cash flows from financing activities:			
Principal payments under capital lease obligations	(197)	(133)	(51)
Repurchase of common stock	—	(25,000)	—
Proceeds from exercise of stock options and employee stock purchase plan	2,670	435	24,990
Excess tax benefits from stock options exercised	282	117	9,290
Net cash provided by (used in) financing activities	2,755	(24,581)	34,229
Effect of exchange rates on cash and cash equivalents	280	(1,099)	864
Net increase (decrease) in cash and cash equivalents	22,292	(6,867)	49,988
Cash and cash equivalents, beginning of year	77,733	84,600	34,612
Cash and cash equivalents, end of year	$100,025	$ 77,733	$ 84,600
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ 12	$ 20	$ 60
Income taxes	$ 294	$ 5,340	$ 2,870
Supplemental disclosures of non-cash financing activities:			
Capital lease obligations	$ —	$ 150	$ 510

See accompanying notes to consolidated financial statements

1. Nature of Business and Critical Accounting Policies

We are a provider of wireless broadband access solutions for the worldwide mobile communications market. Our broad range of current products principally includes third generation, or 3G, intelligent mobile hotspots, communications and applications software, USB modems, embedded PCI express mini card modems and wireless PC card and ExpressCard modems. Through the integration of our hardware and software, our products are designed to operate on the world's wireless networks and provide mobile subscribers with secure and convenient high speed access to corporate, public and personal information through the Internet and enterprise networks.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. Actual results could differ materially from these estimates. Significant estimates include allowance for doubtful accounts receivable, provision for excess and obsolete inventory, valuation of intangible and long-lived assets, royalty costs, provision for warranty costs, income taxes and share-based compensation expense.

Difficult global economic conditions, tight credit markets, volatile equity, foreign currency and energy markets and declines in consumer spending have combined to increase the uncertainty inherent in these estimates and assumptions. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates, particularly those related to the condition of the economy.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with original maturities of three months or less at the time of acquisition. Cash and cash equivalents consist of demand deposits and money market funds. Cash and cash equivalents are recorded at market value, which approximates cost. Gains and losses associated with the Company's foreign currency denominated demand deposits are recorded as a component of other income.

Allowance for Doubtful Accounts Receivable

The Company provides an allowance for its accounts receivable for estimated losses that may result from its customers' inability to pay. The Company determines the amount of the allowance by analyzing known uncollectible accounts, aged receivables, economic conditions, historical losses, and changes in customer payment cycles and our customers' credit-worthiness. Amounts later determined and specifically identified to be uncollectible are charged or written off against this allowance. To minimize the likelihood of uncollectibility, the Company reviews its customers' credit-worthiness periodically based on credit scores generated by independent credit reporting services, its experience with its customers and the economic condition of its customers' industries. Material differences may result in the amount and timing of expense for any period if the Company were to make different judgments or utilize different estimates. If the financial condition of the Company's customers deteriorates resulting in an impairment of their ability to make payments, additional allowances may be required.

Marketable Securities

The Company accounts for its marketable securities in accordance with Accounting Standards Codification ("ASC") Topic 320. All of the Company's marketable securities are treated as "available-for-sale" as defined in this accounting guidance. Marketable securities consist of highly liquid investments with a maturity of greater than three months when purchased. While it is the Company's intent to hold such securities until maturity, the Company may sell certain securities for cash flow purposes. Thus, the Company's marketable securities are classified as available-for-sale and are carried on the balance sheet at fair value with the related unrealized gains and losses included in accumulated other comprehensive income (loss), a component of stockholders' equity. Realized gains and losses on the sale of marketable securities are determined using the specific-identification method.

The Company determines the fair value of its financial assets and liabilities by reference to the hierarchy of inputs contained in ASC Topic 820. This hierarchy on inputs consists of three levels: Level 1 fair values are valuations based on quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access; Level 2 fair values are those valuations based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities; and, Level 3 fair values are valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company classifies its marketable securities as current or non-current in accordance with ASC Topic 210. All securities whose maturity or sale is expected within one year are classified as "current" on the consolidated balance sheet. All other securities are classified as "long term" on the consolidated balance sheet.

Inventories and Provision for Excess and Obsolete Inventory

Inventories are stated at the lower of cost (first-in, first-out method) or market. Shipping and handling costs are classified as a component of cost of revenue in the consolidated statements of income. The Company reviews the components of its inventory and its inventory purchase commitments on a regular basis for excess and obsolete inventory based on estimated future usage and sales. Write-downs in inventory value or losses on inventory purchase commitments depend on various items, including factors related to customer demand, economic and competitive conditions, technological advances or new product introductions by the Company or its customers that vary from its current expectations. Whenever inventory is written down, a new cost basis is established and the inventory is not subsequently written up if market conditions improve.

The Company believes that, when made, the estimates used in calculating the inventory provision are reasonable and properly reflect the risk of excess and obsolete inventory. If customer demand for the Company's inventory is substantially less than its estimates, inventory write-downs may be required, which could have a material adverse effect on its consolidated financial statements.

Property and Equipment

Property and equipment are stated at cost and depreciated using the straight-line method. Test equipment, computer equipment, purchased software, furniture, and fixtures and product tooling are depreciated over lives ranging from eighteen months to five years and leasehold improvements are depreciated over the shorter of the related lease period or useful life. Amortization of assets held under capital leases is included in depreciation expense.

Expenditures for repairs and maintenance are expensed as incurred. Expenditures for major renewals and betterments that extend the useful lives of existing property and equipment are capitalized and depreciated. Upon retirement or disposition of property and equipment, any resulting gain or loss is recognized in the consolidated statements of operations.

Intangible Assets

Intangible assets include the costs of non-exclusive and perpetual worldwide software technology licenses. The Company's intangible asset licenses primarily consist of software license agreements for research and development or production purposes. These costs are amortized on a straight-line basis over the estimated useful lives of the assets, which the Company typically estimates as one year for research and development licenses, and two years for production licenses.

Long-Lived Assets

The Company periodically evaluates the carrying value of the unamortized balances of its long-lived assets, including property and equipment and intangible assets, to determine whether impairment of these assets has occurred or whether a revision to the related amortization periods should be made. When the carrying value of an asset exceeds the associated undiscounted expected future cash flows, it is considered to be impaired and is written down to fair value. Fair value is determined based on an evaluation of the assets associated undiscounted future cash flows or appraised value. This evaluation is based on management's projections of the undiscounted future cash flows associated with each class of asset. If management's evaluation indicates that the carrying values of these assets are impaired, such impairment is recognized by a reduction of the applicable asset carrying value to its estimated fair value and is expensed as a part of continuing operations.

Revenue Recognition

The Company's revenue is principally generated from the sale of wireless modems to wireless operators, OEM customers and value added resellers and distributors. Revenue from product sales is recognized upon the later of transfer of title or shipment of the product to the customer. Where the transfer of title or risk of loss is contingent on the customer's acceptance of the product, the Company will not recognize revenue until both title and risk of loss have transferred to the customer. The Company records deferred revenue for cash payments received from customers in advance of when revenue recognition criteria are met. The Company has granted price protection to certain customers in accordance with the provisions of the respective contracts and tracks pricing and other terms offered to customers buying similar products to assess compliance with these provisions. The Company estimates the amount of price protection for current period product sales utilizing historical experience and information regarding customer inventory levels. To date, the Company has not incurred material price protection obligations. Revenues from sales to certain customers are subject to cooperative advertising allowances. Cooperative advertising allowances are recorded as an operating expense to the extent that the advertising benefit is separable from the revenue transaction and the fair value of that advertising benefit is determinable. To the extent that such allowances either do not provide a separable benefit to the Company, or the fair value of the advertising benefit cannot be reliably estimated, such amounts are recorded as a reduction of revenue. The Company establishes reserves for estimated product returns allowances in the period in which revenue is recognized. In estimating future product returns, the Company considers various factors, including the Company's stated return policies and practices and historical trends.

In arrangements in which our hardware and software are delivered concurrently, the Company does not provide significant post contract customer support ("PCS") and recognizes revenue upon the delivery of the of the hardware product, assuming all other basic revenue recognition criteria are met. As of December 31, 2009, the Company has not recorded any significant revenues from separate software sales.

Research and Development Costs

Research and development costs are expensed as incurred.

Warranty Costs

The Company accrues warranty costs based on estimates of future warranty related replacement, repairs or rework of products. Our warranty policy generally provides one to three years of coverage for products following the date of purchase. The Company's policy is to accrue the estimated cost of warranty coverage as a component of cost of revenue in the accompanying consolidated statements of operations at the time revenue is recognized. In estimating its future warranty obligations the Company considers various factors, including the historical frequency and volume of claims, and the cost to replace or repair products under warranty. The warranty provision for its products is determined by using a financial model to estimate future warranty costs. The Company's financial model takes into consideration actual product failure rates; estimated replacement, repair or rework expenses; and potential risks associated with our different products. The risk levels, warranty cost information, and failure rates used within this model are reviewed throughout the year and updated, if and when, these inputs change.

Royalty Costs

The Company has intellectual property license agreements which generally require the Company to make royalty payments based on a percentage of the revenue generated by sales of products incorporating the licensed technology. The Company recognizes royalty obligations in accordance with the terms of the respective royalty agreements. Royalty costs are recorded as a component of cost of revenues in the period when incurred.

Income Taxes

The Company recognizes federal, state and foreign current tax liabilities or assets based on our estimate of taxes payable to or refundable by tax authorities in the current fiscal year. The Company also recognizes federal, state and foreign deferred tax liabilities or assets based on our estimate of future tax effects attributable to temporary differences and carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Deferred tax assets are reduced by valuation allowances if, based on the consideration of all available evidence, it is more likely than not that some portion of the deferred tax asset will not be realized. The Company evaluates deferred income taxes on a quarterly basis to determine if valuation allowances are required by considering available evidence. If the Company is unable to generate sufficient future taxable income in certain tax jurisdictions, or if there is a material change in the actual effective tax rates or time period within which the underlying temporary differences become taxable or deductible, the Company could be required to increase its valuation allowance against its deferred tax assets which could result in a decrease in the Company's effective tax rate and an adverse impact on operating results. The Company will continue to evaluate the necessity of the valuation allowance based on the remaining deferred tax assets.

The Company follows the accounting guidance related to financial statement recognition, measurement and disclosure of uncertain tax positions. The Company recognizes the impact of an uncertain income tax position on an income tax return at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained.

Derivatives and Hedging

The Company's derivative financial instruments consist solely of foreign currency forward exchange contracts. The purpose of these derivative instruments is to hedge the Company's economic exposure associated with accounts receivable and cash balances denominated in Euros. The Company's forward contracts do not qualify as accounting hedges. As a result, the Company marks-to-market the forward contracts and includes unrealized gains and losses in the current period as a component of other income (expense) in the consolidated statements of operations.

Litigation

The Company is currently involved in certain legal proceedings. The Company will record a loss when the Company determines information available prior to the issuance of the financial statements indicates the loss is both probable and estimable. Where a liability is probable and there is a range of estimated loss with no best estimate in the range, the Company records the minimum estimated liability related to the claim. As additional information becomes available, the Company assesses the potential liability related to the Company's pending litigation and revises its estimates, if necessary. The Company's policy is to expense litigation costs as incurred.

Share-Based Compensation

The Company has granted stock options to employees and restricted stock units. The Company also has an employee stock purchase plan (ESPP) for all eligible employees. The Company measures the compensation cost associated with all share-based payments based on grant date fair values. The fair value of each employee stock option and employee stock purchase right is estimated on the date of grant using an option pricing model that meets certain requirements. The Company currently uses the Black-Scholes option pricing model to estimate the fair value of our stock options and stock purchase rights. The Black-Scholes model is considered an acceptable model but the fair values generated by it may not be indicative of the actual fair values of our equity awards as it does not consider certain factors important to those awards to employees, such as continued employment and periodic vesting requirements as well as limited transferability. The determination of the fair value of share-based payment awards utilizing the Black-Scholes model is affected by our stock price and a number of assumptions, including expected volatility, expected term, risk-free interest rate and expected dividends.

For grants of incentive options, the Company uses a blend of historical and implied volatility for traded options on its stock in order to estimate the expected volatility assumption required in the Black-Scholes model. The Company's use of a blended volatility estimate in computing the expected volatility assumption for incentive stock options is based on its belief that while that implied volatility is representative of expected future volatility, the historical volatility over the expected term of the award is also an indicator of expected future volatility. Due to the short duration of employee stock purchase rights, the Company utilizes historical volatility in order to estimate the expected volatility assumption of the Black-Sholes Model.

The expected term of incentive stock options granted is estimated using the average of the vesting date, the contractual term and historical experience. The expected term of an employee stock purchase right is the contractual term of that right. The risk-free interest rate assumption is based on observed interest rates appropriate for the expected terms of our stock options and employee stock purchase rights. The dividend yield assumption is based on the Company's history and expectation of no dividend payouts. The fair value of the

Company's restricted stock units is based on the closing market price of its common stock on the date of grant. The Company will evaluate the assumptions used to value stock awards on a quarterly basis. If factors change and the Company employs different assumptions, stock-based compensation expense may differ significantly from what it has recorded in the past. If there are any modifications or cancellations of the underlying unvested securities, the Company may be required to accelerate, increase or cancel any remaining unearned stock-based compensation expense. To the extent that the Company grants additional equity securities to employees or it assumes unvested securities in connection with any acquisitions, its stock-based compensation expense will be increased by the additional unearned compensation resulting from those additional grants or acquisitions.

Compensation cost associated with grants of restricted stock units are measured at fair value, which has historically been the closing price of the Company's stock on the date of grant.

The Company recognizes share-based compensation expense using the straight-line method for awards that contain only service conditions. For awards that contain performance conditions, the Company recognizes the share-based compensation expense on a straight-line basis for each vesting tranche. The Company estimates forfeitures at the time of grant and revises these estimates, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The Company estimates its forfeiture rate assumption for all types of share based compensation awards based historical forfeiture rates related to each category of award.

Computation of Net Income (Loss) Per Share

The Company computes basic and diluted per share data for all periods for which a statement of operations is presented. Basic net income (loss) per share excludes dilution and is computed by dividing the net income (loss) by the weighted-average number of shares that were outstanding during the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to acquire common stock were exercised or converted into common stock. Potential dilutive securities are excluded from the diluted EPS computation in loss periods as their effect would be anti-dilutive.

Fair Value of Financial Instruments

The carrying amounts of the Company's cash and cash equivalents, 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 (Loss)

Comprehensive income consists of net earnings and unrealized gains and losses on available-for-sale securities.

Segment Information

The Company identifies its operating segments based on how management internally evaluates separate financial information, business activities and management responsibility. The Company operates in a single business segment consisting of the development, manufacture and sale of wireless access products.

Recent Accounting Pronouncements

In October 2009, the FASB issued new revenue recognition standards for arrangements with multiple deliverables, where certain of those deliverables are non-software related. The new standards require entities to initially use management's best estimate of selling price to value individual deliverables when those deliverables do not have VSOE of fair value or when third-party evidence is not available. Additionally, these new standards modify the manner in which the transaction consideration is allocated across the separately identified deliverables by no longer permitting the residual method of allocating arrangement consideration. These new standards are effective for annual periods ending after June 15, 2010, however early adoption is permitted. In accordance with the transition provisions of the revised standard, the Company prospectively adopted the provisions of guidance on January 1, 2010. The adoption of these provisions is not expected to have a material impact on the Company's consolidated financial statements.

In October 2009, the FASB issued new revenue recognition standards for revenue arrangements that contain tangible products and software. These new standards change the scope of existing accounting guidance related to revenue arrangements containing software deliverables to exclude from its scope (a) non-software components of tangible products and (b) software components of tangible products that are sold, licensed, or leased with tangible products when the software components and non-software components of the tangible product function together to deliver the tangible product's essential functionality. These new standards are effective for annual periods ending after June 15, 2010, however early adoption is permitted. Additionally, adoption of these standards is required in the period in which the Company adopts the FASB's revised standards on revenue recognition with multiple deliverables. In accordance with the transition provisions of the revised standard, the Company prospectively adopted the provisions of guidance on January 1, 2010. The adoption of these provisions is not expected to have a material impact on the Company's consolidated financial statements.

2. Fair Value Measurement of Assets and Liabilities

The Company's cash equivalents and marketable securities are generally classified within level 1 or level 2 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. The Company maintains an investment portfolio of various security holdings, types and maturities. The Company places its cash equivalents and investments in instruments that meet credit quality standards, as specified in its investment policy guidelines. These guidelines also limit the amount of credit exposure to any one issue, issuer or type of instrument. The Company's foreign exchange forward contracts are valued using pricing models that take into account the currency rates as of the balance sheet date.

The Company's investments in financial instruments valued based on quoted market prices in active markets are its investments in money market securities. Such instruments are generally classified within level 1 of the fair value hierarchy.

The types of financial instruments valued based on quoted prices in markets that are not active, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency include most investment-grade corporate bonds, commercial paper, time deposits, government and agency securities, and foreign exchange forward contracts. These instruments are generally classified within level 2 of the fair value hierarchy.

As of December 31, 2009, the Company did not have any financial instruments without observable market values that would require a high level of judgment to determine fair value (level 3 assets).

The following table summarizes our financial instruments measured at fair value on a recurring basis as of December 31, 2009 (in thousands):

Description	Balance as of December 31, 2009	Level 1	Level 2
Assets:			
Cash equivalents:			
Money market funds	$ 67,065	$67,065	$ —
Total cash equivalents	67,065	67,065	—
Short-term marketable securities:			
Corporate debenture/bonds	8,403	—	8,403
Certificates of deposit	14,760	—	14,760
Government agency securities	4,501	—	4,501
Total short-term marketable securities	27,664	—	27,664
Long-term marketable securities:			
Corporate debenture/bonds	9,067	—	9,067
Certificates of deposit	10,968	—	10,968
Government agency securities	28,320	—	28,320
Total long-term marketable securities	48,355	—	48,355
Foreign exchange forward contracts	30	—	30
Total financial assets	$ 143,114	$67,065	$76,049

As of December 31, 2009, the total amount of outstanding foreign exchange forward contracts amounted to €2.6 million ($3.7 million using the exchange rate of $1.43 at December 31, 2009). These contracts are used to hedge the Company's Euro-denominated cash and accounts receivable balances. At December 31, 2009 and 2008, the Company recorded an unrealized gain of $30,000, and unrealized losses of $671,000, respectively, on its outstanding foreign currency forward exchange contracts.

For the years ended December 31, 2009, 2008 and 2007, the Company recorded gains of $446,000, losses of $323,000 and losses of $60,000, respectively, on its Euro denominated foreign exchange forward contracts. During the years ended December 31, 2009 and 2008, the Company recorded foreign currency losses on foreign currency denominated transactions of approximately $420,000 and $406,000, respectively. During the year ended December 31, 2007, the Company recorded foreign currency gains of $495,000. All recorded gains and losses on foreign exchange transactions are recorded in other income (expense).

3. Financial Statement Details

Marketable Securities

The Company's portfolio of available-for-sale securities by contractual maturity consists of the following (in thousands):

December 31, 2009	Maturity in Years	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Corporate debenture/bonds	1 or less	$ 8,371	$ 32	$ —	$ 8,403
Certificates of deposit	1 or less	14,755	13	(8)	14,760
Government agency securities	1 or less	4,500	1	—	4,501
Total short-term marketable securities		27,626	46	(8)	27,664
Corporate debenture/bonds	1 to 2	9,045	30	(8)	9,067
Certificates of deposit	1 to 2	10,984	7	(23)	10,968
Government agency securities	1 to 2	28,340	19	(39)	28,320
Total long-term marketable securities		48,369	56	(70)	48,355
		$ 75,995	$ 102	$ (78)	$ 76,019

December 31, 2008	Maturity in Years	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Asset backed securities	1 or less	$ 2,511	$ —	$ (28)	$ 2,483
Commercial paper	1 or less	7,159	—	(7)	7,152
Corporate debenture/bonds	1 or less	26,902	—	(18)	26,884
Government agency securities	1 or less	21,965	52	—	22,017
Total short-term marketable securities		58,537	52	(53)	58,536
Corporate debenture/bonds	1 to 2	2,325	—	(1)	2,324
Government agency securities	1 to 2	4,540	98	—	4,638
Total long-term marketable securities		6,865	98	(1)	6,962
		$ 65,402	$ 150	$ (54)	$ 65,498

At December 31, 2009, 2008, and 2007, the Company recorded net unrealized gains of $24,000 ($15,000 net of taxes), $96,000 ($62,000 net of taxes) and $83,000 ($65,000 net of taxes), respectively. The Company's net unrealized gains are the result of market conditions affecting fixed-income securities and are included in accumulated other comprehensive income in the consolidated balance sheets.

At December 31, 2009, the Company did not have any investments in individual securities that have been in a continuous unrealized loss position deemed to be temporary for more than twelve months. Because the Company's general intent is to hold its investment securities to maturity, and considering the high quality of the investment securities, the Company believes that the unrealized losses at December 31, 2009 represent a temporary condition and will not result in realized losses on sale or maturity of the securities.

Inventories

Inventories consist of the following (in thousands):

	December 31, 2009	December 31, 2008
Finished goods	$ 24,845	$ 22,515
Raw materials and components	128	714
	$ 24,973	$ 23,229

Property and Equipment

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

	December 31, 2009	December 31, 2008
Test equipment	$ 37,887	$ 34,950
Computer equipment and purchased software	10,689	8,989
Product tooling	1,856	4,993
Furniture and fixtures	1,763	1,735
Leasehold improvements	2,995	2,975
	55,190	53,642
Less—accumulated depreciation and amortization	(40,279)	(33,417)
	$ 14,911	$ 20,225

The carrying values of long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the recorded value cannot be recovered from the undiscounted future cash flows. When the carrying value of an asset exceeds the associated undiscounted expected future cash flows, it is considered to be impaired and is written down to fair value, which is determined based on either undiscounted future cash flows or appraised values. For the years ended December 31, 2009 and 2008, the Company recorded $92,000 and $638,000, respectively, in its cost of revenues as a result of its impairment analysis. There was no impairment loss recorded for the year ended December 31, 2007.

Depreciation and amortization expense relating to property and equipment was $11.4 million, $10.6 million and $9.9 million for the years ended December 31, 2009, 2008 and 2007, respectively.

Intangible Assets

Intangible assets consist of the following (in thousands):

	December 31, 2009	December 31, 2008
HSUPA, HSDPA, UMTS, and GPRS licenses	$ 1,901	$ 5,972
EV-DO and CDMA licenses	2,053	4,456
	3,954	10,428
Less—accumulated amortization	(2,441)	(8,568)
	$ 1,513	$ 1,860

The Company monitors its intangible and long-lived asset balances and conducts formal tests on at least an annual basis or earlier when impairment indicators are present. There was no impairment loss recorded for the year ended December 31, 2009. For the year ended December 31, 2008, the Company recorded $202,000, in its cost of revenues as a result of its impairment analysis. There was no impairment loss recorded for the year ended December 31, 2007.

Amortization expense relating to intangible licenses was $1.6 million, $1.0 million and $1.1 million for the years ended December 31, 2009, 2008 and 2007, respectively. Amortization expense related to licenses obtained for research purposes is recorded within research and development expense in the consolidated financial statements. Amortization expense related to licenses obtained for commercial products is recorded in cost of revenues in the consolidated financial statements.

Future estimated amortization expense is as follows (in thousands):

For the Period Ending December 31,	Amount
2010	$ 835
2011	539
2012	139
	$1,513

At December 31, 2009, the weighted average remaining useful life of the Company's intangible assets is twenty-one months.

Accrued Expenses

Accrued expenses consist of the following (in thousands):

	December 31,	
	2009	2008
Royalties	$ 4,511	$ 3,657
Payroll and related	8,229	3,479
Product warranty	3,039	3,471
Market development fund and price protection	1,424	2,963
Deferred rent	416	740
Professional fees	1,407	1,003
Other	4,210	5,315
	$ 23,236	$ 20,628

4. Earnings Per Share

Basic earnings per share ("EPS") excludes dilution and is computed by dividing net income or loss by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

Potentially dilutive securities (currently consisting of options, warrants, restricted stock and employee stock purchase plan withholdings using the treasury stock method) are excluded from the diluted EPS computation in loss periods and when their exercise price is greater than the market price as the effect would be anti-dilutive.

The following table sets forth the computation of diluted weighted average common and potential common shares outstanding for the years ended December 31, 2009, 2008 and 2007, respectively (in thousands).

	Year Ended December 31,		
	2009	2008	2007
Basic weighted average common shares outstanding	30,648	31,159	31,389
Effect of dilutive securities:			
Warrants	—	—	89
Options	159	—	461
Employee Stock Purchase Plan	238	—	13
Unvested Restricted Stock (including Restricted Stock Units)	179	—	55
Diluted weighted average common and potential common shares outstanding	31,224	31,159	32,007

Weighted average options, warrants, restricted stock units and ESPP shares to purchase a total of 3,149,937 shares, 3,833,226 shares and 473,183 shares of common stock for the years ended December 31, 2009, 2008 and 2007 respectively, were outstanding but not included in the computation of diluted earnings per share as their effect was anti-dilutive.

5. Stockholders' Equity

Preferred Stock

The Company has a total of 2,000,000 shares of Series A and Series B preferred stock authorized for issuance at a par value of $0.001 per share. No preferred shares are currently issued or outstanding.

Common Shares Reserved for Future Issuance

The Company has reserved shares of common stock for possible future issuance as of December 31, 2009 as follows (in thousands):

	Amount
Stock options outstanding	4,179
Restricted stock units outstanding	497
Future grants of awards under the 2009 Omnibus Incentive Compensation Plan	2,261
Shares available under the Employee Stock Purchase Plan	515
Total shares of common stock reserved for issuance	7,452

Treasury Stock

During the year ended December 31, 2008, the Company repurchased a total of 2,435,853 shares of its outstanding common stock for $25.0 million The Repurchase Program was completed in the third quarter of 2008. The Company currently holds these repurchased shares as treasury stock.

6. Stock Incentive and Employee Stock Purchase Plans

During the year ended December 31, 2009, the Company granted awards under two incentive compensation plans, the 2000 Stock Incentive Plan (the "2000 Plan") and the 2009 Omnibus Incentive Compensation Plan (the "2009 Plan"). The Compensation Committee of the Board of Directors administers both plans.

Under the 2000 Plan, awards typically vest over either a three or a four year period and the plan permits the granting of awards with alternative vesting schedules including vesting based on performance criteria. Under the 2000 Plan, the Company may issue restricted stock units, which upon meeting vesting conditions, allow for employees and non-employee directors to receive common stock. Issuances of such awards reduce common stock available under the 2000 Plan for stock incentive awards. During July 2009, the Company ceased granting awards under the 2000 Plan.

In June 2009, the Company's stockholders approved the 2009 Plan. Under the 2009 Plan, a maximum of 2.5 million shares of common stock may be issued upon the exercise of stock options, in the form of restricted stock, or in settlement of restricted stock units or other awards, including awards with alternative vesting schedules such as performance-based criteria.

For the years ended December 31, 2009, 2008 and 2007, the following table presents total stock-based compensation expense in each functional line item on our consolidated statements of operations (in thousands):

	Years Ended December 31,		
	2009	2008	2007
Cost of revenues	$ 743	$ 576	$ 718
Research and development	2,608	2,063	2,493
Sales and marketing	1,149	954	1,906
General and administrative	2,382	2,590	4,734
Totals	$6,882	$6,183	$9,851

The per share fair values of stock options granted in connection with stock incentive plans and rights granted in connection with the employee stock purchase plan have been estimated with the following weighted average assumptions.

	Employee Stock Options			Employee Stock Purchase Rights		
	2009	2008	2007	2009	2008	2007
Expected dividend yield:	0%	0%	0%	0%	0%	0%
Risk-free interest rate:	1.9%	2.5%	4.6%	0.5%	0.5%	4.7%
Volatility:	73%	70%	59%	80%	71%	47%
Expected term (in years):	5.6	5.3	4.8	1.2	1.2	1.3

Stock Options

The Compensation Committee of the Board of Directors determines eligibility, vesting schedules and exercise prices for options granted under the plans. Options granted generally have a term of ten years, and in the case of new hires, generally vest and become exercisable at the rate of 25% after one year and ratably on a monthly basis over a period of thirty-six months thereafter. Subsequent option grants to existing employees generally vest and become exercisable ratably on a monthly basis over a period of forty-eight months measured from the date of grant.

A summary of stock option activity for the year ended December 31, 2009 is presented below (in thousands, except per share data):

	Stock Options Outstanding	Weighted Average Exercise Price Per Option	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Options outstanding December 31, 2008	3,485	$ 15.45		
Granted	1,243	6.61		
Exercised	(226)	8.09		
Cancelled	(323)	13.35		
Balance December 31, 2009	4,179	$ 13.38	6.65	$ 3,310
Options Exercisable, December 31, 2009	2,565	$ 17.00	5.22	$ 514

The total intrinsic value of options exercised to purchase common stock during the years ended December 31, 2009, 2008 and 2007 was approximately $633,000, $26,000 and $30.2 million, respectively. As of December 31, 2009, total unrecognized share-based compensation cost related to unvested stock options was $7.3 million, which is expected to be recognized over a weighted average period of approximately 2.4 years. The total fair value of option awards recognized as expense during the years ended December 31, 2009, 2008 and 2007 was approximately $3.6 million, $3.5 million and $5.9 million, respectively. The weighted average fair value of option awards granted during years ended December 31, 2009, 2008 and 2007 was $4.07, $3.82 and $8.37, respectively.

Restricted Stock Units

Under the 2000 and the 2009 Plans, the Company may issue restricted stock units ("RSUs") that, upon satisfaction of vesting conditions, allow for employees and non-employee directors to receive common stock. Issuances of such awards reduce common stock available under the 2009 Plan for stock incentive awards. The Company measures compensation cost associated with grants of RSUs at fair value, which is generally the closing price of the Company's stock on the date of grant.

During 2009, the Compensation Committee of the Board of Directors, pursuant to the Plans, awarded a total of 424,416 RSUs to employees pursuant to the plans at fair values ranging from $5.51 per share to $11.83 per share. Generally, one-third of the shares underlying each grant become issuable on the anniversary of each grant date, assuming continued employment or other qualifying service to the Company through such date. Based on the fair value of the Company's common stock price at the grant dates, the Company estimated the aggregate fair value of these awards at approximately $2.5 million. The estimated fair value of these awards is being amortized to compensation expense for each grant on a straight-line basis, which is predominately over a three-year service period.

During 2008, the Compensation Committee of the Board of Directors, pursuant to the 2000 Plan, awarded a total of 83,595 RSUs to employees at fair values ranging from $3.00 per share to $3.50 per share. One-third of the shares underlying each grant becomes issuable on January 16, 2009, 2010, and 2011, assuming continued employment or other qualifying service to the Company through such date. The Company estimated the aggregate fair value of these awards to the employees at approximately $263,000, based on the fair value of the Company's common stock price at the grant date. The estimated fair value of these awards is being amortized to compensation expense for each grant on a straight-line basis over the three-year service period.

During 2007, the Compensation Committee of the Board of Directors, pursuant to the 2000 Plan, awarded a total of 106,773 RSUs to employees and six non-employee directors at fair values ranging $10.40 per share to $25.22 per share. The shares underlying the RSUs become issuable in three equal annual installments beginning on the first anniversary of the grant date, assuming continued employment or other qualifying service to the Company through each vesting date. The Company estimated the aggregate fair value of these awards to the employees and non-employee directors at approximately $1.3 million, based on the fair value of the Company's common stock price at the grant date. Compensation cost is being amortized to compensation expense for each grant on straight-line basis over the three-year service period.

In January 2007 and October 2007, the Compensation Committee of the Board of Directors also awarded a total of 100,000 RSUs and 150,000 RSUs pursuant to the 2000 Plan, to certain executives and to the Company's Executive Chairman, respectively, at fair values of $10.40 and $25.49 per share, respectively. One-third of the shares underlying each grant becomes issuable annually each January, commencing in 2008, subject to achievement of specific operating metrics in fiscal 2007 and continued employment through each vesting date. As of December 31, 2007, all of the operating metrics had been achieved resulting in satisfaction of the performance conditions for the awards. The Company estimated the aggregate fair value of these awards at approximately $4.8 million, which is being amortized to compensation expense on a straight-line basis for each vesting tranche. The total fair value of these performance based RSUs recognized as expense during the years ended December 31, 2009, 2008 and 2007 was approximately $654,000, $1.8 million and $2.4 million, respectively. No performance based equity awards were made to executives the years ended December 31, 2009 or 2008.

A summary of restricted stock unit activity for the year ended December 31, 2009 is presented below (dollars and shares in thousands, except per share data):

	Shares	Weighted Average Grant Date Fair Value
Non-vested at December 31, 2008	270	$ 15.75
Granted	424	5.83
Vested	(184)	7.59
Forfeited	(13)	4.96
Non-vested at December 31, 2009	497	$ 10.59

As of December 31, 2009, there was $1.8 million of unrecognized compensation cost related to non-vested RSUs granted under the Company's incentive plans. That cost is expected to be recognized over a weighted average period of 1.3 years. The total fair value of RSUs recognized as expense during the years ended December 31, 2009, 2008 and 2007 was $2.1 million, $2.2 million and $2.3 million, respectively.

2000 Employee Stock Purchase Plan

The Company's 2000 Employee Stock Purchase Plan ("ESPP") permits eligible employees of the Company to purchase newly issued shares of common stock, at a price equal to 85% of the lower of the fair market value on (i) the first day of the offering period or (ii) the last day of each six-month purchase period, through payroll deductions of up to 10% of their annual cash compensation. In June 2009, the Company's shareholders approved an amendment to the ESPP to increase the number of shares available for issuance under the ESPP by 750,000 shares, extend the term of the ESPP to June 2019, cease the automatic annual increase in the number of shares available for issuance under the ESPP and make certain other technical changes.

During the years ended December 31, 2009, 2008 and 2007, the Company issued 425,941, 78,050 and 113,433 shares under the ESPP. During the years ended December 31, 2009, 2008 and 2007, the Company received $1.3 million, $726,000 and $1.0 million, respectively, in cash through employee withholdings.

As of December 31, 2009, total unrecognized ESPP compensation cost related to ESPP share purchases was $729,000, which is expected to be recognized over a weighted average period of approximately 14.9 months. The total fair value of ESPP awards recognized as expense during the years ended December 31, 2009, 2008 and 2007 was $1.2 million, $494,000 and $493,000, respectively.

7. Income Taxes

Total income taxes for the years ended December 31, 2009, 2008 and 2007 were allocated as follows (in thousands):

	Year Ended December 31,		
	2009	2008	2007
To income	$527	$(947)	$20,756
To stockholders' equity	232	185	(9,772)
Total income taxes	$759	$(762)	$10,984

Income (loss) before taxes for the years ended December 31, 2009, 2008 and 2007 is comprised of the following (in thousands):

	Year Ended December 31,		
	2009	2008	2007
Domestic	$2,674	$(3,480)	$57,863
Foreign	1,765	1,290	1,655
Income (loss) before taxes	$4,439	$(2,190)	$59,518

The provision (benefit) for income taxes for the years ended December 31, 2009, 2008 and 2007 is comprised of the following (in thousands):

	Year Ended December 31,		
	2009	2008	2007
Current:			
Federal	$ 76	$ 3,230	$23,610
State	288	342	1,986
Foreign	(9)	60	4
Total Current	355	3,632	25,600
Deferred:			
Federal	(230)	(3,299)	(2,340)
State	1,054	(1,299)	(2,268)
Foreign	(652)	19	(236)
Total Deferred	172	(4,579)	(4,844)
Provision (benefit) for income taxes	$ 527	$ (947)	$20,756

The Company's deferred tax assets consist of the following (in thousands):

	December 31, 2009	December 31, 2008
Deferred tax assets:		
Accrued expenses	$ 5,051	$ 4,314
Inventory obsolescence provision	1,587	2,493
Depreciation and amortization	3,685	4,584
Deferred rent	131	254
Net operating loss and tax credit carryforwards	6,642	4,682
Stock-based compensation	4,420	4,201
Unrecognized tax benefits	6,094	4,133
Deferred tax assets	27,610	24,661
Valuation allowance	(3,897)	(2,746)
Net deferred tax assets	$23,713	$21,915

The Company evaluates its deferred tax assets for future realization and reduces it by a valuation allowance to the extent significant uncertainty exists. The factors the Company considers when assessing the likelihood of future realization of deferred tax assets include recent cumulative earnings experience, expectations of future taxable income, the carryforward periods available for tax reporting purposes and other relevant factors. At December 31, 2009 and 2008, the Company provided a valuation allowance for its deferred tax assets for which significant uncertainty exists regarding the ultimate realization. At December 31, 2009, the allowance consisted of $2.2 million relating to the Company's domestic net operating loss and tax credit carryforwards and $1.7 million related to the Company's Canadian deferred tax assets. At December 31, 2008, the allowance consisted of $1.4 million relating to the Company's domestic net operating loss carryforwards and $1.4 million related to certain to the Company's Canadian deferred tax assets.

Management believes that it is more likely than not that the results of future operations will generate sufficient future taxable income to realize the Company's remaining deferred tax assets, net of the valuation allowance.

During the years ended December 31, 2009 and 2008, the Company recorded a non-cash deferred income tax expense of $1.2 million and $1.4 million, respectively, related to the changes in the valuation allowances on deferred tax assets. During the year ended 2007, the Company recorded a non-cash deferred income tax benefit of $1.0 million related to the changes in the valuation allowances on deferred tax assets.

The provision (benefit) for income taxes reconciles to the amount computed by applying the statutory federal income tax rate of 34% in 2009, 34% in 2008, and 35% in 2007 to income before provision for income taxes as follows (in thousands):

	Year Ended December 31, 2009	2008	2007
Federal tax provision, at statutory rate	$ 1,509	$ (745)	$20,831
State tax, net of federal benefit	87	(47)	1,190
Change in valuation allowance	1,151	1,352	(984)
Research and development credits	(3,017)	(3,259)	(951)
Share-based compensation	1,106	1,083	926
Uncertain tax positions	(528)	365	—
Other	219	304	(256)
	$ 527	$ (947)	$20,756

At December 31, 2009, the Company has U.S. federal net operating loss carryforwards of approximately $4.4 million. Federal net operating loss carryforwards expire at various dates from 2011 through 2024. The Company has California net operating loss carryforwards of approximately $5.0 million, which expire at various dates from 2010 through 2014. On September 23, 2008, the State of California passed tax legislation that, among other things, placed a moratorium on the use of net operating loss carryforwards and limited the use of certain tax credits to reduce state income tax liability in 2009. The Company has a California research and development tax credit carryforwards of approximately $3.2 million. The California tax credits have no expiration date. The Company also has federal research and development tax credit carryforwards of approximately $463,000. The federal tax credits expire at various dates from 2024 through 2029.

It is the Company's intention to reinvest undistributed earnings of its foreign subsidiaries and thereby indefinitely postpone their remittance. Accordingly, no provision has been made for foreign withholding taxes on United States income taxes which may become payable if undistributed earnings of the foreign subsidiary were paid as dividends to the Company.

The Company follows the accounting guidance related to financial statement recognition, measurement and disclosure of uncertain tax positions. The Company recognizes the impact of an uncertain income tax position on an income tax return at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. The total liability for unrecognized tax benefits as of the date of adoption was $3.7 million. As of December 31, 2009 and 2008, the total liability for unrecognized tax benefits was $20.5 million and $18.6 million, respectively, and is included in other long-term liabilities.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits is as follows (in thousands):

	Amount
Unrecognized tax benefits balance at January 1, 2007	$40,663
Increases related to current and prior year tax positions	676
Settlements and lapses in statutes of limitations	—
Unrecognized tax benefits balance at December 31, 2007	41,339
Increases related to current and prior year tax positions	96
Settlements and lapses in statutes of limitations	—
Unrecognized tax benefits balance at December 31, 2008	41,435
Increases related to current and prior year tax positions	2,590
Settlements and lapses in statutes of limitations	(2,890)
Unrecognized tax benefits balance at December 31, 2009	$41,135

Included in the balances of unrecognized tax benefits at December 31, 2009 are $40.6 million of tax benefits that, if recognized, would affect the effective tax rate. The Company's estimate of these unrecognized tax benefits does not contemplate the potential impact of deferred tax asset valuation allowances.

The Company recognizes interest and penalties related to unrecognized tax benefits in the provision for income taxes. As of December 31, 2009 and 2008, the Company recorded approximately $1.4 million and $572,000, respectively, of accrued interest related to uncertain tax positions.

In the third quarter of 2009, the Company reduced its uncertain tax liability by approximately $3.1 million, including a related interest accrual of approximately $240,000, due to the expiration of the statute of limitations applicable to the 2005 taxable year and the completion of the examination of its 2006 federal tax return. Approximately $1.4 million of this amount benefited the 2009 tax provision as a discrete item.

The Company does not anticipate any significant increases or decreases to its unrecognized tax benefits within the next twelve months.

The Company and its subsidiaries file U.S., state, and foreign income tax returns in jurisdictions with various statutes of limitations. The Company is subject to various income tax examinations for the 1996 through 2008 calendar years due to the availability of net operating loss carryforwards. The Company believes appropriate provisions for all outstanding issues have been made for all jurisdictions and all open years. However, because audit outcomes and the timing of audit settlements are subject to significant uncertainty, the Company's current estimate of the total amounts of unrecognized tax benefits could increase or decrease for all open years.

8. Commitments and Contingencies

Capital Leases

The Company did not purchase equipment under capital leases during the year ended December 31, 2009. During the years ended December 31, 2008 and 2007, the Company purchased equipment under capital leases for $150,000 and $510,000, respectively. At December 31, 2009 and 2008, assets held under capital leases had a net book value of $348,000 and $499,000, respectively, net of accumulated amortization of $312,000 and $161,000, respectively.

The following is a schedule by year of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of December 31, 2009 (in thousands):

For the Period Ending December 31,	Amount
2010	$ 127
2011	114
2012	47
Total minimum lease payments	288
Less: amounts representing interest	(9)
Present value of net minimum lease payments	279
Less: current portion	(95)
Long-term portion	$ 184

Operating Leases

The Company leases its office space and certain equipment under non-cancelable operating leases with various terms through 2012. The minimum annual rent on the Company's office space is subject to increases based on stated rental adjustment terms, property taxes and operating costs and contains rent concessions. For financial reporting purposes, rent expense is recognized on a straight-line basis over the term of the lease. Accordingly, rent expense recognized in excess of rent paid is reflected as deferred rent. Rental expense under operating leases in 2009, 2008 and 2007 was $3.1 million, $3.0 million and $4.1 million, respectively. The Company's office space lease contains incentives in the form of reimbursement from the landlord for a portion of the costs of leasehold improvements incurred by the Company which are recorded to rent expense on a straight-line basis over the term of the lease.

The minimum future lease payments under non-cancelable operating leases as of December 31, 2009 are as follows (in thousands):

For the Period Ending December 31,	Amount
2010	$ 3,039
2011	610
2012	403
Total minimum lease payments	$ 4,052

Royalties

The Company has license agreements which require it to make royalty payments generally based on a percentage of the sales price of its products using certain technologies. During the year ended December 31, 2008, the Company revised its estimate of its contingent liability for royalty costs and reduced its liability by $2.3 million. The change in this estimate was reflected as a reduction of royalty expense in the year ended December 31, 2008. In the years ended 2009, 2008 and 2007, the Company incurred royalty expense of $19.1 million, $14.8 million and $22.0 million, respectively.

Management Retention Agreements

During 2005 and 2004, the Company entered into management retention agreements with certain of the Company’s executive officers. The agreements entitle those employees to enumerated severance benefits if, within the one year period immediately following a change of control (as defined in the agreement) or at the direction of an acquirer in anticipation of such an event, the Company terminates the employee’s employment other than for cause or disability or the employee terminates his or her employment for good reason. These severance benefits would include a lump sum payment of three times the sum of the employee’s annual base salary then in effect and the applicable targeted annual bonus, continued employee benefits, accelerated vesting of the employee’s stock incentive awards, a tax equalization payment to eliminate the effects of any applicable excise tax and financial planning and outplacement services.

In November 2007, the Company entered into an employment agreement with the Company’s Chief Executive Officer, with an initial term of three years. Under the agreement, Mr. Leparulo will continue to serve as Chairman of the Board and as the Company’s most senior officer. The agreement entitles Mr. Leparulo to enumerated severance benefits under various circumstances if Mr. Leparulo’s employment with the Company is terminated. These enumerated severance benefits vary according to whether (a) Mr. Leparulo’s employment with the Company is terminated within the one year period immediately following a change in control (as defined in the agreement) or at the direction of an acquirer in anticipation of such an event; (b) the Company terminates his employment other than for cause or he terminates his employment for good reason; or (c) the Company terminates his employment for cause or he terminates his employment for other than good reason. Depending on the cause of the employment termination, the enumerated severance benefits include a lump sum payment ranging from one to three years annual base salary then in effect, an additional lump sum bonus payment representing certain multiples of his targeted bonus, and varying periods of ongoing employee benefits including health care and outplacement services.

Legal Matters

The Company is, from time to time, party to various legal proceedings arising in the ordinary course of business. Based on evaluation of these matters and discussions with Company's counsel, the Company believes that liabilities arising from or sums paid in settlement of these existing matters would not have a material adverse effect on its consolidated results of operations or financial condition.

On September 15, 2008, and September 18, 2008, two putative securities class action lawsuits were filed in the United States District Court for the Southern District of California on behalf of persons who allegedly purchased our stock between February 5, 2007 and August 19, 2008. On December 11, 2008, these lawsuits were consolidated into a single action entitled Backe v. Novatel Wireless, Inc., et al. , Case No. 08-CV-01689-H (RBB) (Consolidated with Case No. 08-CV-01714-H (RBB)) (U.S.D.C., S.D. Cal.). The plaintiffs filed the consolidated complaint on behalf of persons who allegedly purchased our stock between February 27, 2007 and November 10, 2008. The consolidated complaint names the Company and certain of our current and former officers as defendants. The consolidated complaint alleges generally that we issued materially false and misleading statements during the relevant time period regarding the strength of our products and market share, our financial results and our internal controls. The plaintiffs are seeking an unspecified amount of damages and costs. The court has denied defendants' motions to dismiss. In January 2010, the lead plaintiffs filed a motion for class certification, which is scheduled to be heard in April 2010. Discovery in this case is ongoing. The Company intends to defend this litigation vigorously. Due to the preliminary nature of this litigation, the Company is unable to estimate a range of exposure associated with this litigation.

On October 8, 2008, a purported shareholder, Jerry Rosenbaum, filed a derivative action in the Superior Court for the State of California, County of San Diego, against the Company, as nominal defendant, and certain of our current and former officers and directors, as defendants. Two other purported shareholders, Mark Campos and Chris Arnsdorf, separately filed substantially similar lawsuits in the same court on October 20, 2008 and November 5, 2008, respectively. On October 16, 2009, the plaintiffs filed a consolidated complaint. The consolidated complaint, Case No. 37-2008-00093576-CU-NP-CTL, alleges claims for breaches of fiduciary duties, violations of certain provisions of the California Corporations Code, unjust enrichment, and gross mismanagement. In February 2010, the court granted the defendants' motion to stay the action pending the resolution of the federal securities class action described above. The plaintiffs are seeking equitable and/or injunctive relief, restitution from the defendants, attorneys' fees and costs, and other relief. Due to the preliminary nature of this action, the Company is unable to estimate a range of exposure associated with this litigation.

On July 6, 2009, SPH America, LLC filed suit in the United States District Court for the Eastern District of Virginia against the Company and numerous other defendants, including original equipment manufacturers of laptops and manufacturers of wireless modems, alleging, among other things, that the defendants' manufacture, sale and/or use of certain wireless modems infringes various U.S. patents to which plaintiff purportedly has exclusive licensing rights. On October 9, 2009, the court granted defendants' motion to transfer the lawsuit to the U.S. District Court for the Southern District of California. Due to the preliminary nature of this action, the Company is unable to estimate a range of exposure associated with this litigation.

On July 7, 2009, WIAV Networks, LLC filed suit in the United States District Court for the Eastern District of Texas against the Company and numerous other defendants, including original equipment manufacturers of laptops and manufacturers of wireless modems, alleging, among other things, that the defendants' manufacture, sale and/or use of certain wireless modems infringes various U.S. patents which plaintiff purportedly owns. Due to the preliminary nature of this action, the Company is unable to estimate a range of exposure associated with this litigation.

Indemnification

In the normal course of business, the Company periodically enters into agreements that require the Company to indemnify and defend its customers for, among other things, claims alleging that the Company's products infringe third-party patents or other intellectual property rights. The Company's maximum exposure under these indemnification provisions cannot be estimated.

On January 9, 2009, DNT, LLC filed a putative patent infringement lawsuit in the United States District Court for the Eastern District of Virginia against several wireless operators, including two of the Company's customers, Sprint Nextel Corporation and Verizon Wireless, Inc., as defendants. The complaint alleged, among other things, that the defendants' use, sale and importation of specified wireless modem cards for computers designed to be used in conjunction with the defendants' cellular networks constituted direct infringement of U.S. Patent No. RE 37,660, which the plaintiff allegedly owned. The complaint also alleged that customer use of the products sold by the defendants constituted indirect infringement of the patent allegedly owned by the plaintiff. The plaintiff sought an amount of damages equal to no less than a reasonable royalty for the sale of each infringing product, an injunction, costs and other relief as appropriate. The Company elected to intervene in this action as a defendant. On December 14, 2009, the jury returned a verdict in favor of all the defendants, finding that none of the named products infringed upon the asserted patent.

On January 16, 2009, Datascape, Inc. filed a putative patent infringement lawsuit in the United States District Court for the Northern District of Georgia against Company customer, Sprint Spectrum, L.P. and affiliates ("Sprint") as defendants. The complaint alleges generally that the defendants have engaged in the manufacture, sale, import and/or use of products and/or processes that constitutes infringement of U.S. Patent Nos. 5,742,845, 5,905,908, 6,366,967, 6,684,269 and 6,745,259, which the plaintiff allegedly owns. The plaintiff is seeking an amount of damages no less than a reasonable royalty, treble damages, an injunction, attorney's fees and costs and additional relief as appropriate. Due to the preliminary nature of this matter, the Company is unable to estimate the range of exposure associated with this matter.

On June 18, 2009, MSTG, Inc. filed a putative patent infringement lawsuit in the United States District Court for the Northern District of Illinois, Eastern Division, against several wireless operators and wireless device providers, including one of the Company's customers, Sprint Spectrum, L.P., as defendants. The complaint alleges generally that the defendants have engaged in the manufacture, use, importation, sale and/or offer for sale of products, services and technology employing inventions that constitute infringement of U.S. Patent Nos. 5,920,551, 6,198,936 and 6,438,113, which the plaintiff allegedly owns. The plaintiff is seeking an award of damages adequate to compensate MSTG for any infringement (together with pre-judgment interest); an award of all remedies available under 35 U.S.C. Sections 284 and 285; and a permanent injunction prohibiting further infringement and additional relief as may be awarded. The Company is currently evaluating this matter to determine the nature and extent of any obligation to indemnify and/or defend this customer in this lawsuit. Due to the preliminary nature of this action, the Company is unable to estimate the range of exposure associated with this matter.

On July 8, 2009, Celltrace, LLC. filed a putative patent infringement lawsuit in the United States District Court for the Eastern District of Texas, Tyler Division, against several wireless operators, including Company customers, Sprint, Sprint Spectrum L.P. and Cellco Partnership d/b/a Verizon Wireless, as defendants. The complaint alleges generally that the defendants have engaged in making, using, selling, offering for sale and/or leasing certain products, services and systems in Texas that constitute infringement of U.S. Patent Nos. 6,011,976 and 7,551,933, which the plaintiff allegedly owns. The complaint also alleges that each defendant sells and/or offers for sale cellular telephone services which communicate with the defendants' cellular network that constitute infringement of the patents allegedly owned by the plaintiff. The plaintiff is seeking a reasonable royalty for the acts of infringement, adjudication of infringement, damages and costs related thereto, attorneys' fees and costs and additional relief as may be awarded. The Company is currently evaluating this matter to determine the nature and extent of any obligation to indemnify and/or defend its customers in this lawsuit. Due to the preliminary nature of this action, the Company is unable to estimate the range of exposure associated with this matter.

In October 2009, the Board of Directors of the Company approved, and the Company executed a new form of indemnification agreement with each of its current directors and executive officers. Each indemnification agreement provides, among other things, that the Company will indemnify and defend, to the fullest extent permitted under Delaware law, the covered director or officer against any and all expenses in connection in connection with the director or officer's service to the Company. Any amounts advanced to an executive officer or director by the Company in connection with action of indemnification may be recovered by the Company if the executive or director is subsequently determined not to be entitled.

9. 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, Canada, Europe and Asia. The following table details the geographic concentration of the Company's assets in the United States, Canada, Europe and Asia (in thousands):

	Year Ended December 31,	
	2009	2008
United States	$ 277,054	$ 253,500
Canada	4,436	6,280
Europe	967	892
Asia	50	59
	$ 282,507	$ 260,731

The following table details the Company's concentration of net revenues by geographic region:

	Year Ended December 31,		
	2009	2008	2007
North America	93.0%	64.0%	75.0%
Europe / Middle East / Africa	6.6	36.0	23.0
Asia / Australia	0.4	0.0	2.0
	100.0%	100.0%	100.0%

Concentrations of Risk

Substantially all of the Company's revenue is derived from sales of wireless access products. Any significant decline in market acceptance of the Company's products or in the financial condition of the Company's customers would have an adverse effect on the Company's results of operations and financial condition.

A significant portion of the Company's revenue comes from a small number of customers. Three customers accounted for 38.1%, 20.5% and 10.7% of 2009 net revenues. Four customers accounted for 26.2%, 16.1%, 15.4% and 12.6% of 2008 net revenues. Three customers accounted for 34.9%, 25.9% and 10.9% of 2007 net revenues.

The Company outsources its manufacturing to two third-party manufacturers. If one or both of them were to experience delays, disruptions, capacity constraints or quality control problems in its manufacturing operations, product shipments to the Company's customers could be delayed or its customers could consequently elect to cancel the underlying order, which would negatively impact the Company's revenues and results of operations.

10. 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. Employer matching contributions amounted to $858,000, $803,000 and $653,000 for the years ended December 31, 2009, 2008 and 2007, respectively. Employer matching contributions vest over a two-year period.

The Company has a registered retirement savings plan for its Canadian employees. Substantially all of the Company's Canadian employees are eligible to participate in this plan. Employees make discretionary contributions to the plan subject to local limitations. Employer contributions amounted to $472,000, $223,000 and $205,000 for the years ended December 31, 2009, 2008 and 2007, respectively.

11. Related Party Transactions

In December 2008, the Board of Directors (the "Board") of the Company authorized the Company to engage Mr. John Ross as a consultant to the Company (the "Engagement"). Mr. Ross is currently a member of the Board and was previously employed by the Company from August 2000 until February 2007. Pursuant to the Engagement, Mr. Ross received a monthly fee of $15,000 in exchange for his providing consulting services to the Company with respect to certain strategic initiatives. Total payments made to Mr. Ross during the year ended December 31, 2009 under the Engagement were approximately $162,000. In November of 2009, Mr. Ross was hired by the Company in an executive role, at which point the Engagement was terminated.

12. Quarterly Financial Information (Unaudited)

The following is a summary of unaudited quarterly results of operations for the years ended December 31, 2009 and 2008.

	Quarter			
	First	Second	Third	Fourth
	(in thousands, except per share amounts)			
2009:				
Net revenues	$70,393	$84,100	$94,293	$88,636
Gross profit	16,056	18,556	29,805	23,241
Net income (loss) applicable to common stockholders	(2,463)	(800)	6,223	952
Basic net earnings (loss) per common share	(0.08)	(0.03)	0.20	0.04
Diluted net earnings (loss) per common share	(0.08)	(0.03)	0.20	0.04
2008:				
Net revenues	$87,830	$89,630	$78,398	$65,115
Gross profit	21,711	22,678	16,663	7,690
Net income (loss) applicable to common stockholders	1,833	952	(1,046)	(2,982)
Basic net earnings (loss) per common share	0.06	0.03	(0.03)	(0.10)
Diluted net earnings (loss) per common share	0.06	0.03	(0.03)	(0.10)

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Novatel Wireless, Inc.:

We have audited the accompanying consolidated balance sheets of Novatel Wireless, Inc. as of December 31, 2009 and the related consolidated statements of operations, stockholders' equity and comprehensive income (loss), and cash flows for the year ended December 31, 2009. Our audit also included the financial statement schedule for the year ended December 31, 2009 listed in Schedule II. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (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 audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Novatel Wireless, Inc. as of December 31, 2009, and the consolidated results of its operations and its cash flows for the year ended December 31, 2009, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Novatel Wireless, Inc.'s internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 12, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Diego, California
March 12, 2010

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Novatel Wireless, Inc.:

We have audited the accompanying consolidated balance sheet of Novatel Wireless, Inc. and subsidiaries (the Company) as of December 31, 2008, and the related consolidated statements of operations, stockholders' equity and comprehensive income (loss), and cash flows for the years ended December 31, 2008 and December 31, 2007. In connection with our audits of the consolidated financial statements, we also have audited financial statement Schedule II. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement Schedule II based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Novatel Wireless, Inc. and subsidiaries as of December 31, 2008, and the results of their operations and their cash flows for the years ended December 31, 2008 and December 31, 2007, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement Schedule II, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in note 1 to the consolidated financial statements, the Company adopted the disclosure provisions of Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*, in 2008, and changed its method of accounting for uncertainty in income taxes in 2007 due to the adoption of Financial Accounting Standards Board Interpretation 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109*.

/s/ KPMG LLP

March 15, 2009
San Diego, California

SCHEDULE II

NOVATEL WIRELESS, INC.

Valuation and Qualifying Accounts
For the Years Ended December 31, 2009, 2008 and 2007 (in thousands):

	Balance At Beginning of Year	Additions Charged to Operations	Deductions From Reserves	Balance At End of Year
Allowance for Doubtful Accounts:				
December 31, 2009	$ 1,010	$ 35	$ 304	$ 741
December 31, 2008	378	1,256	624	1,010
December 31, 2007	631	386	639	378
Warranty:				
December 31, 2009	3,471	2,580	3,012	3,039
December 31, 2008	3,077	2,281	1,887	3,471
December 31, 2007	1,464	3,036	1,423	3,077
Deferred Tax Asset Valuation Allowance:				
December 31, 2009	2,746	1,151	—	3,897
December 31, 2008	1,394	1,352	—	2,746
December 31, 2007	2,378	—	984	1,394
Sales Returns Allowance:				
December 31, 2009	478	194	369	303
December 31, 2008	174	743	439	478
December 31, 2007	95	809	730	174

EXHIBIT INDEX

The following Exhibits are filed as part of, or incorporated by reference into, this Report on Form 10-K:

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, filed March 27, 2001).
3.2	Certificate of Amendment to Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2002, filed November 14, 2002).
3.3	Certificate of Amendment to Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.2 to the Company's Amendment No. 1 to Form 10-K on Form 10-K/A for the year ended December 31, 2003, filed March 31, 2004).
3.4	Amended and Restated Certificate of Designation of Series A Convertible Preferred Stock (incorporated by reference to Exhibit 3.4 to the Company's Amendment No. 1 to Form 10-K on Form 10-K/A for the year ended December 31, 2003, filed March 31, 2004).
3.5	Certificate of Designation of Series B Convertible Preferred Stock (incorporated by reference to Exhibit 3.5 to the Company's Amendment No. 1 to Form 10-K on Form 10-K/A for the year ended December 31, 2003, filed March 31, 2004).
3.6	Bylaws (incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, filed on March 27, 2001).
4.1	Amended and Restated Registration Rights Agreement, dated as of June 15, 1999, by and among the Company and certain of its stockholders (incorporated by reference to Exhibit 10.4 to the Company's Registration Statement on Form S-1 (No. 333-42570), filed July 28, 2000, as amended).
4.2	Form of Securities Purchase Agreement entered into in connection with the Company's 2003 Series B Convertible Preferred Stock Financing (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed March 28, 2003).
4.3	Registration Rights Agreement, dated as of March 12, 2003, entered into in connection with the Company's 2003 Series B Convertible Preferred Stock Financing (incorporated by reference to Exhibit 4.8 to the Company's Current Report on Form 8-K, filed March 28, 2003).
4.4	Registration Rights Agreement, dated as of January 13, 2004, entered into in connection with the Company's January 2004 Common Stock and Warrant Financing Transaction (incorporated by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003, filed March 15, 2004).
10.1*	Amended and Restated 1997 Employee Stock Option Plan ("1997 Plan") (incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-1 (No. 333-42570), filed July 28, 2000 as amended).
10.2*	Amended and Restated Novatel Wireless, Inc. 2000 Stock Incentive Plan ("2000 Plan") (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007, filed August 9, 2007).
10.3*	Form of Executive Officer Stock Option Agreement under the 2000 Plan (incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 2005, filed March 16, 2006).

Exhibit Number	Description
10.4*	Form of Director Stock Option Agreement under the 2000 Plan (incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K for the year ended December 31, 2005, filed March 16, 2006).
10.5*	Form of Amendment of Stock Option Agreements, dated July 20, 2006, by and between the Company and Optionee with respect to the 1997 Plan (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2006, filed November 9, 2006).
10.6*	Form of Amendment of Stock Option Agreements, dated July 20, 2006, by and between the Company and Optionee with respect to the 2000 Plan (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2006, filed November 9, 2006).
10.7*	Form of Amendment of Stock Option Agreements, dated July 20, 2006, by and between the Company and Optionee with respect to the 2000 Plan and grants made pursuant thereto in 2004 and subsequently (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2006, filed November 9, 2006).
10.8*	Amended and Restated Novatel Wireless, Inc. 2000 Employee Stock Purchase Plan (incorporated by reference to Exhibit 99.1 to the Company's Registration Statement on Form S-8, filed November 10, 2009).
10.9*	Form of Restricted Share Award Agreement for restricted stock granted to non-employee directors (incorporated by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2006, filed August 9, 2006).
10.10*	Form of Restricted Share Award Agreement for restricted stock granted to executive officers (incorporated by reference to Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2006, filed August 9, 2006).
10.11*	Form of Indemnification Agreement by and between the Company and each of its executive officers and directors (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2009, filed November 2, 2009).
10.12*	Form of Change of Control Letter Agreement by and between the Company and certain of its executive officers (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2004, filed August 16, 2004).
10.13*	Employment Agreement, dated November 2, 2007, by and between Peter V. Leparulo and the Company (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007, filed November 9, 2007).
10.14*	2009 Omnibus Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed June 24, 2009).
10.15*	2009 Senior Management Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed July 24, 2009).
21	Subsidiaries of Novatel Wireless, Inc. (incorporated by reference to Exhibit 21 to the Company's Annual Report on Form 10-K for the year ended December 31, 2005, filed March 16, 2006).
23.1**	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.
23.2**	Consent of KPMG LLP, Independent Registered Public Accounting Firm.

Exhibit Number	Description
24	Power of Attorney (See signature page to the Company’s Annual Report on Form 10-K for the year ended December 31, 2009 filed March 12, 2010).
31.1**	Certification of our Principal Executive Officer adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2**	Certification of our Principal Financial Officer adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Management contract, compensatory plan, or arrangement

** Filed herewith

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements:

1) Registration Statement (Form S-8 No. 333-163033) pertaining to the 2009 Omnibus Incentive Compensation Plan;

2) Registration Statement (Form S-8 No. 333-163032) pertaining to 2000 Employee Stock Purchase Plan;

3) Registration Statement (Form S-8 No. 333-145482) pertaining to 2000 Stock Incentive Plan and 2000 Employee Stock Purchase Plan;

4) Registration Statement (Form S-8 No. 333-53692) pertaining to 2000 Stock Incentive Plan, 2000 Employee Stock Purchase Plan and 1997 Stock Incentive Plan;

5) Registration Statement (Form S-3 No. 333-162020) and related prospectus pertaining to the registration of $125,000,000 of debt securities, common stock, preferred stock, subscription rights, depositary shares, warrants, purchase contracts and units;

of our report dated March 12, 2010, with respect to the consolidated financial statements and schedule of Novatel Wireless, Inc., included in this Amendment No. 1 to the Annual Report (Form 10-K/A) for the year ended December 31, 2009.

/s/ Ernst & Young LLP

San Diego, California
March 12, 2010

Exhibit 23.2

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Novatel Wireless, Inc.:

We consent to the incorporation by reference in the registration statements (Nos. 333-163033, 333-163032, 333-145482, and 333-53692) on Form S-8 and (No. 333-162020) on Form S-3 of Novatel Wireless, Inc. (the Company) of our report dated March 15, 2009, with respect to the consolidated balance sheet of Novatel Wireless, Inc. as of December 31, 2008, and the related consolidated statements of operations, stockholders' equity and comprehensive income (loss), and cash flows, and the related financial statement Schedule II for the years ended December 31, 2008 and December 31, 2007, which report appears in the December 31, 2009 annual report on Form 10-K/A of Novatel Wireless, Inc.

Our report on the consolidated financial statements contains an explanatory paragraph that states that the Company adopted the disclosure provisions of Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*, in 2008, and changed its method of accounting for uncertainty in income taxes in 2007 due to the adoption of Financial Accounting Standards Board Interpretation 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109*.

/s/ KPMG LLP

March 12, 2010
San Diego, California

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
Pursuant to Rule 13a-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Peter Leparulo, certify that:

1. I have reviewed this annual report on Form 10-K, as amended, of Novatel Wireless, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

/S/ PETER LEPARULO

Peter Leparulo
Chairman and Chief Executive Officer
(Principal Executive Officer)

Dated: March 16, 2010

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
Pursuant to Rule 13a-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Kenneth Leddon, certify that:

1. I have reviewed this annual report on Form 10-K, as amended, of Novatel Wireless, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

/S/ KENNETH LEDDON

Kenneth Leddon
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Dated: March 16, 2010

Exhibit 32.1

CERTIFICATIONS

Peter Leparulo, Chairman and Chief Executive Officer of Novatel Wireless, Inc. (the “Company”), and Kenneth Leddon, Senior Vice President and Chief Financial Officer of the Company, each hereby certifies pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. Section 1350) that, to the best of his knowledge:

1. This annual report on Form 10-K, as amended, of the Company for the year ended December 31, 2009 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition of the Company at the end of the period covered by the Report and the results of operations of the Company for the period covered by the Report.

IN WITNESS WHEREOF, the undersigned have set their hands hereto as of the 16th day of March, 2010.

/S/ PETER LEPARULO

Peter Leparulo
Chairman and Chief Executive Officer
(Principal Executive Officer)

/S/ KENNETH LEDDON

Kenneth Leddon
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)