UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2007

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)**

For the transition period from ____________ to ____________.

Commission file number: 000-31659

NOVATEL WIRELESS, INC.
(Exact Name of Registrant as Specified in Its Charter)

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

Registrant's Telephone Number, Including Area Code: (858) 320-8800

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

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

Large accelerated filer ☐ Accelerated filer ☒ Non-Accelerated filer ☐

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

The number of shares of the registrant's common stock outstanding as of November 2, 2007 was 32,521,597.

As used in this report on Form 10-Q, unless the context otherwise requires, the terms “we,” “us,” “our,” “the Company” and “Novatel Wireless” refer to Novatel Wireless, Inc., a Delaware corporation and its wholly-owned subsidiaries.

Forward-Looking Statements

This report contains forward-looking statements based on our current expectations, assumptions, estimates and projections about Novatel Wireless and our industry. These forward-looking statements include, but are not limited to, statements regarding: future demand for access to wireless data and factors affecting that demand; the future growth of wireless wide-area networking and factors affecting that growth; changes in commercially adopted wireless transmission standards and technologies; growth in third generation, or 3G, infrastructure spending; the sufficiency of our capital resources; the effect of changes in accounting standards and in aspects of our critical accounting policies; the utilization of our net operating loss carryforwards; and our general business and strategy, including plans and expectations relating to technology, product development, strategic relationships, customers, manufacturing, service activities and international expansion. The words “may,” “estimate,” “anticipate,” “believe,” “expect,” “intend,” “plan,” “project,” “will” and similar words and phrases indicating future results are also intended to identify forward-looking statements.

Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those anticipated in such forward-looking statements as of the date of this report. You are cautioned not to place undue reliance on these forward-looking statements, which reflect management’s analysis only as of the date hereof. You should carefully review and consider the various disclosures in this report regarding factors that could cause actual results to differ materially from anticipated results, including those factors under the caption “Risks Related to Our Business” of this Form 10-Q. We undertake no obligation to update publicly any forward-looking statements for any reason, even if new information becomes available or other events occur in the future, except as otherwise required pursuant to our on-going reporting obligations under the Securities Exchange Act of 1934, as amended.

Trademarks

“Novatel Wireless,” the Novatel Wireless logo, “Merlin,” “MobiLink,” “Expedite,” “Ovation” and “Conversa” are trademarks of Novatel Wireless, Inc. Other trademarks, trade names or service marks used in this report are the property of their owners.

PART I—FINANCIAL INFORMATION

Item 1. ***Financial Statements***

NOVATEL WIRELESS, INC.

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

	September 30, 2007 (Unaudited)	December 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	$ 67,060	$ 34,612
Marketable securities	57,349	48,071
Accounts receivable, net of allowance for doubtful accounts of $149 in 2007 and $631 in 2006	70,586	47,774
Inventories	22,441	25,662
Deferred tax assets, net	5,931	5,931
Prepaid expenses and other	3,613	3,344
Total current assets	226,980	165,394
Property and equipment, net	22,831	15,501
Marketable securities	5,706	1,479
Intangible assets, net	1,452	2,411
Deferred tax assets, net	8,499	6,630
Other assets	275	230
	$ 265,743	$ 191,645
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 33,900	$ 39,346
Accrued expenses	21,394	16,158
Accrued income taxes	9,303	1,905
Total current liabilities	64,597	57,409
Capital lease obligations, long-term	353	—
Total liabilities	64,950	57,409
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; 32,464 and 29,743 shares issued and outstanding at September 30, 2007 and December 31, 2006, respectively	33	30
Additional paid-in capital	395,390	356,138
Accumulated other comprehensive income (loss)	9	(31)
Accumulated deficit	(194,639)	(221,901)
Total stockholders' equity	200,793	134,236
	$ 265,743	$ 191,645

See accompanying notes to unaudited consolidated financial statements.

NOVATEL WIRELESS, INC.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Revenue	$104,616	$55,143	$311,891	$140,956
Cost of revenue	73,604	40,796	216,266	106,182
Gross margin	31,012	14,347	95,625	34,774
Operating costs and expenses:				
Research and development	9,703	8,714	28,622	22,549
Sales and marketing	4,858	3,724	15,550	9,919
General and administrative	3,855	3,685	12,466	11,415
Total operating costs and expenses	18,416	16,123	56,638	43,883
Operating income (loss)	12,596	(1,776)	38,987	(9,109)
Other income (expense):				
Interest income and expense, net	1,716	751	3,958	1,917
Other income (expense), net	136	(302)	510	1,229
Income (loss) before taxes	14,448	(1,327)	43,455	(5,963)
Income tax expense (benefit)	5,253	(432)	16,193	(3,817)
Net income (loss)	$ 9,195	$ (895)	$ 27,262	$ (2,146)
Per share data:				
Net income (loss) per share:				
Basic	$ 0.29	$ (0.03)	$ 0.88	$ (0.07)
Diluted	$ 0.28	$ (0.03)	$ 0.86	$ (0.07)
Weighted average shares used in computation of basic and diluted net income (loss) per share:				
Basic	32,255	29,672	31,008	29,532
Diluted	32,954	29,672	31,605	29,532

See accompanying notes to unaudited consolidated financial statements.

NOVATEL WIRELESS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2007	2006
Cash flows from operating activities:		
Net income (loss)	$ 27,262	$ (2,146)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	7,869	5,772
Inventory provision	2,274	1,419
Provisions for bad debts	92	—
Share-based compensation expense	6,571	7,399
Excess tax benefits from stock options exercised	(8,832)	(617)
Deferred tax benefit	—	(3,817)
Changes in assets and liabilities:		
Accounts receivable, net	(22,904)	(11,038)
Inventories	947	4,593
Prepaid expenses and other assets	(312)	5,314
Accounts payable	(5,446)	(5,897)
Accrued expenses and income taxes	10,675	1,771
Net cash provided by operating activities	18,196	2,753
Cash flows from investing activities:		
Purchases of property and equipment	(13,770)	(6,115)
Purchases of intangible assets	—	(500)
Purchases of securities	(67,138)	(43,939)
Securities maturities/sales	53,670	51,542
Net cash (used in) provided by investing activities	(27,238)	988
Cash flows from financing activities:		
Proceeds from exercise of stock options and warrants	32,684	1,592
Excess tax benefits from stock options exercised	8,832	617
Payments on line of credit	—	(5,000)
Principal payments under capital lease obligations	(26)	(3,891)
Net cash provided by (used in) financing activities	41,490	(6,682)
Net increase (decrease) in cash and cash equivalents	32,448	(2,941)
Cash and cash equivalents, beginning of period	34,612	36,653
Cash and cash equivalents, end of period	$ 67,060	$ 33,712
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 45	$ 105
Income taxes	$ 1,829	$ 383
Supplemental disclosures of non-cash financing activities:		
Capital lease obligations (See Note 5)	$ 468	$ —

See accompanying notes to unaudited consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

The information contained herein has been prepared by Novatel Wireless, Inc. (the “Company”) in accordance with the rules of the Securities and Exchange Commission. The information at September 30, 2007 and for the three and nine months ended September 30, 2007 and 2006 is unaudited. The consolidated financial statements reflect all adjustments, consisting of only normal recurring accruals, which are, in the opinion of management, necessary for a fair statement of the results of the interim periods presented. These consolidated financial statements and notes hereto should be read in conjunction with the audited financial statements and notes thereto included in the Company’s annual report on Form 10-K for the year ended December 31, 2006. The results of operations for the interim periods presented are not necessarily indicative of results to be expected for any other interim period or for the year as a whole.

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 U.S. generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, revenues, expenses and disclosures of contingent assets and liabilities. Actual results could differ materially from these estimates. Significant estimates include allowance for doubtful accounts receivable, provision for excess and obsolete inventory, useful lives of long-lived assets, valuation of intangible and long-lived assets, provision for warranty costs, estimated royalty costs, deferred tax asset valuation allowance, foreign exchange forward contracts, and share-based compensation expense.

2. Balance Sheet Details

Marketable Securities

As of September 30, 2007, unrealized losses of $10,000 are included in accumulated other comprehensive loss. The Company’s portfolio of available-for-sale securities by contractual maturity consists of the following as of September 30, 2007 (in thousands):

	Maturity in Years	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Certificates of Deposit	1 or less	$ 1,699	$ 2	$ —	$ 1,701
Asset backed	1 or less	9,620	13	—	9,633
Commercial paper	1 or less	12,252	—	—	12,252
Corporate debentures/bonds	1 or less	33,787	—	(24)	33,763
Total short-term marketable securities		57,358	15	(24)	57,349
Asset backed	1 to 2	1,676	6	—	1,682
Corporate debentures/bonds—long-term marketable securities	1 to 2	4,031	—	(7)	4,024
Total long-term marketable securities		5,707	6	(7)	5,706
		$ 63,065	$ 21	$ (31)	$ 63,055

At September 30, 2007, the Company did not have any investments in individual securities that have been in a continuous unrealized loss position deemed to be other than temporary for more than 12 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 September 30, 2007 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):

	September 30, 2007	December 31, 2006
Finished goods	$ 21,794	$ 25,059
Raw materials and components	647	603
	$ 22,441	$ 25,662

Accrued Expenses

Accrued expenses consist of the following (in thousands):

	September 30, 2007	December 31, 2006
Royalties	$ 8,079	$ 6,754
Payroll and related	5,430	4,947
Product warranty	2,611	1,464
Price protection, marketing fund and sales returns allowance	1,400	269
Professional fees	1,217	683
Deferred rent	891	969
Other	1,766	1,072
	$ 21,394	$ 16,158

3. Share-Based Compensation

Restricted Stock

In May 2006, the Compensation Committee of the Board of Directors, pursuant to the 2000 Stock Incentive Plan, granted 222,000 shares of market-based restricted stock to executives at a fair value of $10.61 per share. The restricted stock awards vested in one-third increments based on closing per share stock price achievement of $13.26, $15.92 and $18.57 for 10 consecutive trading days, but no more than 50% of the shares were permitted to vest earlier than May 1, 2007. If the stock price levels were not achieved, the remaining shares would have become fully vested on May 17, 2011 assuming continued employment or other qualifying service for the Company through such date. The Company estimated the aggregate fair value of this award at approximately $2.4 million which was being amortized and recorded as compensation expense ratably over a period of eight months for the first $800,000 of the compensation expense, 17 months for the next $800,000 of the compensation expense and 28 months for the final $800,000 of the compensation expense. During 2007, all the stock price levels had been achieved. As a result, all the restricted stock awards had vested and the compensation expense was fully recognized.

In May 2006, the Compensation Committee of the Board of Directors also awarded 7,500 shares of restricted stock to each of the existing 5 non-employee directors (for a total of 37,500 shares) at a fair value of $10.61 per share. 2,500 shares of each grant vests annually each May, commencing in 2007, so long as the director is serving on such date. The Company estimated the aggregate fair value of these awards to the non-employee directors at approximately $400,000, which is being amortized to compensation expense ratably over a three year period. In November 2006, 7,500 shares of restricted stock were forfeited upon termination of service by a non-employee director due to his death. In May 2007, one-third of the outstanding restricted stock awards granted to non-employee directors had vested in accordance with the conditions of the grant. On June 21, 2007, 10,000 shares of restricted stock were forfeited upon termination of service by two such directors, effective upon the conclusion of our annual meeting on that date.

Share-Based Compensation under SFAS No. 123(R)

Statement of Financial Accounting Standard ("SFAS") No. 123(R), Share-Based Payment ("SFAS No. 123(R)"), requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors.

The Company included the following amounts for share-based compensation awards in the accompanying unaudited consolidated statements of operations for the three and nine months ended September 30, 2007 and 2006 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Cost of revenue	$ 135	$ 149	$ 515	$ 338
Research and development	574	598	1,808	1,686
Sales and marketing	398	531	1,386	1,518
General and administrative	494	1,468	2,862	3,857
Totals	1,601	2,746	6,571	7,399
Tax effect on share-based compensation	(527)	(856)	(1,720)	(4,246)
Net effect on net income (loss)	$ 1,074	$ 1,890	$ 4,851	$ 3,153
Effect on earnings per share:				
Basic	$ (0.03)	$ (0.06)	$ (0.16)	$ (0.11)
Diluted	$ (0.03)	$ (0.06)	$ (0.15)	$ (0.11)

4. Credit Facility

In 2005, the Company entered into a two-year $25.0 million secured revolving credit facility ("the Credit Agreement"). The Credit Agreement was entered into with Bank of America, N.A., as Administrative Agent, who was granted a first priority blanket lien on substantially all the Company's assets in order to secure repayment of outstanding indebtedness under the Credit Agreement. At the Company's option, borrowings under the Credit Agreement will bear interest at either the London Interbank Offering Rate (LIBOR) plus 100-150 basis points depending on the level of borrowing under the Credit Agreement, or at the prime rate plus 50 basis points (8.25% at September 30, 2007). The Credit Agreement further contains certain customary restrictive financial and operating covenants which, among other things, require the Company to (i) maintain minimum financial performance requirements as measured by the Company's income or loss before taxes, (ii) limit the levels of certain indebtedness and capital expenditures, and (iii) maintain a minimum liquidity ratio. In the event that a default were to occur under the Credit Agreement which was not subsequently cured or waived, then repayment in full of all the borrowings then outstanding could become immediately due and payable. Such events of default include, without limitation, failing to pay borrowed amounts when due, failing to adhere to agreed upon financial covenants or failing to notify Bank of America of the occurrence of an event that could reasonably be expected to result in a material adverse effect upon the Company. Borrowings under the Credit Agreement can be used for general corporate purposes including capital expenditures, working capital, letters of credit and certain permitted acquisitions and investments. As of September 30, 2007, the Company had no outstanding balance under the Credit Agreement and was in compliance with all covenants of the Credit Agreement.

5. Capital Lease Obligations

In June 30, 2007, the Company purchased equipment under capital leases for approximately $468,000.

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 September 30, 2007 (in thousands):

For the Periods Ending December 31,	Amount
Remainder of 2007	$ 26
2008	104
2009	104
2010	104
2011	104
Thereafter	44
Total minimum lease payments	486
Less: amounts representing interest	(47)
Present value of net minimum lease payments	439
Less: current portion	(86)
Long-term portion	$ 353

6. 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, and Europe. The amount of the Company's assets in the United States, Canada and Europe as of September 30, 2007 were $254.9 million, $8.8 million, and $2.0 million, respectively, and as of December 31, 2006 were $172.8 million, $18.0 million, and $800,000, respectively.

For the three months ended September 30, 2007, approximately 26% of revenues were derived from international customers (Europe/Middle East/Africa 24% and Asia/Australia 2%) as compared to approximately 26% of revenues derived from international customers (Europe/Middle East/Africa 25% and Asia/Australia 1%) for the three months ended September 30, 2006. For the nine months ended September 30, 2007, approximately 23% of revenues were derived from international customers (Europe/Middle East/Africa 21% and Asia/Australia 2%) as compared to approximately 29% of revenues derived from international customers (Europe/Middle East/Africa 27% and Asia/Australia 2%) for the nine months ended September 30, 2006.

Concentrations of Risk

Substantially all of the Company's revenues are derived from the 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 existing customers could impair the Company's ability to operate effectively.

A significant portion of the Company's revenue is derived from a small number of customers. Three customers accounted for 35%, 27% and 10% of revenues for the nine months ended September 30, 2007. Two customers accounted for 40% and 18% of revenues for the nine months ended September 30, 2006.

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.

7. Earnings (Loss) Per Share

Basic earnings (loss) per share ("EPS") excludes dilution and is computed by dividing net income or loss attributable to common stockholders 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 units and restricted stock 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 their effect would be anti-dilutive.

The following table sets forth the computation of diluted weighted-average common and potential common shares outstanding for the three and nine months ended September 30, 2007 and 2006 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	**2006**	**2007**	**2006**
Basic weighted average common shares outstanding	32,255	29,672	31,008	29,532
Effect of dilutive securities:				
Warrants	108	—	93	—
Restricted Shares	6		3	—
Options	585	—	501	—
Diluted weighted average common and potential common shares outstanding	32,954	29,672	31,605	29,532

Weighted average options and warrants to purchase a total of 407,798, and 426,284 shares of common stock for the three and nine months ended September 30, 2007, respectively, and 3,236,534 and 4,353,127 shares of common stock for the three and nine months ended September 30, 2006, respectively, were outstanding but not included in the computation of diluted earnings per share as their effect was anti-dilutive.

8. Commitments and Contingencies

Royalties

The Company has license agreements which commit it to royalty payments generally based on a percentage of the sales price of its products using certain technologies. The Company recognizes royalty obligations in accordance with the terms of the respective royalty agreements. The Company has also accrued for royalty costs in cases where it does not have agreements by using its current best estimate of its obligation. These estimates are based on various market data information and other relevant information. If the Company enters into such agreements, or when additional market data becomes available, it will revise its estimates accordingly.

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 the consolidated results of operations or financial position.

In December 2006, the Company filed a complaint in U.S. District Court for the Southern District of California against a former supplier seeking damages for breach of contract. In March 2007, the supplier filed a counter claim against the Company. During the three months ended September 30, 2007, the Company settled all claims with the supplier. The results of this settlement did not have a material impact on the Company's financial position or results of operations.

9. Comprehensive Income

Comprehensive income includes net income, tax benefits from stock options exercised, and unrealized gains and losses on marketable securities, which are recorded as short-term and long-term investments in the accompanying consolidated balance sheets.

Comprehensive income consists of the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Net income (loss)	$ 9,195	$ (895)	$27,262	$(2,146)
Unrealized gain on cash equivalents and marketable securities	6	159	39	322
Tax benefits from stock options exercised	4,054	—	8,832	617
Comprehensive income (loss)	$ 13,255	$ (736)	$36,133	$(1,207)

10. Income Taxes

In July 2006, the FASB issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes—An Interpretation of FASB Statement No. 109 ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes, and prescribes a recognition threshold and measurement attributes for financial statement disclosure of tax positions taken or expected to be taken on a tax return. Under FIN 48, the impact of an uncertain income tax position on the income tax return must be recognized 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. Additionally, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. In May 2007, the FASB issued FASB Staff Position No. FIN 48-1, Definition of *Settlement* in FASB Interpretation

No. 48 (“FSP FIN 48-1”). FSP FIN 48-1 amends FIN 48 to provide guidance on how an enterprise should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. The interpretation was effective upon initial adoption of FIN 48.

The Company adopted the provisions of FIN 48 on January 1, 2007, and subsequently implemented the guidance of FSP FIN 48-1 with no impact on its consolidated financial statements as the Company had applied FIN 48 in a manner consistent with the provisions of FSP FIN 48-1. As a result of the implementation of FIN 48, the Company recognized a $2.0 million increase in the liability for unrecognized tax benefits. The total liability for unrecognized tax benefits as of the date of adoption was $3.7 million, including the $2.0 million increase in liability upon adoption. The total liability for the unrecognized tax benefit has increased by $4.8 million since adoption resulting in a total liability of $8.5 million as of September 30, 2007.

The total liability for unrecognized tax benefits as of January 1, 2007 was $3.7 million and, if recognized, would affect the effective tax rate. This includes $1.7 million of tax benefits that, if recognized, would result in adjustments to other tax accounts, primarily deferred taxes.

The Company recognizes interest and penalties related to unrecognized tax benefits in provision for income taxes. Upon adoption of FIN 48 on January 1, 2007, the Company did not record any interest or penalties.

The Company is subject to taxation in the U.S., various state and foreign tax jurisdictions. The Company’s tax years for 1996 and forward are subject to examination by the U.S. and California tax authorities due to the utilization of net operating loss carryforwards in recent years. The Company’s tax years for 1997 and forward are subject to examination by the Canadian tax authorities due to the utilization of net operating loss carryforwards in recent years.

Item 2. *Management’s Discussion and Analysis of Financial Condition and Results of Operations*

The following information should be read in conjunction with the consolidated financial statements and the accompanying notes included in Item 1 of this quarterly report, as well as the audited consolidated financial statements and accompanying notes and Management’s Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2006 contained in our 2006 annual report on Form 10-K.

Overview and Background

We are a leading provider of wireless broadband access solutions for the worldwide mobile communications market. Our broad range of products includes 3G wireless PC card and *ExpressCard* modems, embedded modems, Fixed-Mobile Convergence, or FMC, and communications software solutions for wireless network operators, laptop PC and other original equipment manufacturers, or OEMs, infrastructure providers and distributors. Through the integration of our hardware and software, our products are designed to operate on a majority of wireless networks in the world and provide mobile subscribers with secure and convenient high speed access to the Internet and enterprise networks. We also offer software engineering, integration and design services to our customers to facilitate the use of our products.

Factors Which May Influence Future Results of Operations

We have entered into and expect to continue to enter into new customer contracts for the development and supply of our products and this may place significant demands on our resources.

Revenue. We believe that our revenue growth will be influenced largely by the speed and breadth of the increase in demand for wireless access to data through the use of next generation networks including demand for 3G products and 3G data access services, particularly in Europe, North America and Asia; customer acceptance for our new products that address these markets; and our ability to meet customer demand. Factors that could potentially affect customer demand for our products include the following:

- demand for broadband access services and networks;
- use of the Internet;
- rate of change to new products;
- loss of significant customers;
- the availability of raw materials or components from suppliers;
- declines in application service providers, or ASPs;
- increase in competition;

- timing of deployment of 3G networks by carriers;
- drop in demand for our products, and
- changes in technologies.

We began shipping our first 3G products in December 2003 and anticipate introducing additional 3G and next-generation products in the future. We continue to develop and maintain strategic relationships with wireless and computing industry leaders like Dell, QUALCOMM, Sprint PCS, Verizon Wireless and Vodafone and major software vendors. Through strategic relationships, we have been able to increase market penetration by leveraging the resources of our channel partners, including their access to distribution resources, increased sales opportunities and market opportunities.

Our strategic relationships include technology and marketing relationships with wireless operators, OEM customers that integrate our products into other devices, distributors and leading hardware and software technology providers.

Cost of Revenue. We currently outsource our manufacturing operations to LG Innotek Co., Ltd., or LG Innotek, and Inventec Appliances Corporation. In addition, we currently outsource certain distribution and fulfillment services related to our business in Europe, the Middle East and Africa to Mobiltron (Europe) Limited, or Mobiltron. All costs associated with these manufacturers and Mobiltron are included in our cost of revenue. Cost of revenue also includes warranty costs, amortization of intangible licenses, royalties based on a percentage of revenue, operations group expenses, costs related to development services and costs related to inventory adjustments, including write-downs for excess and obsolete inventory. Inventory adjustments are impacted primarily by demand for our products, which is influenced by the factors discussed above. We expect to continue to outsource our manufacturing operations, and as our business grows we expect our manufacturing activity to increase.

Operating Expenses. Many of our products target wireless operators and other customers in Europe, North America and Asia. If these markets continue to grow, we will likely develop new products to serve these markets, resulting in increased research and development expenses associated with such new product development. We have in the past and expect to continue to incur these expenses in future periods prior to recognizing revenue from these contracts.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, revenues, expenses and disclosures of contingent assets and liabilities. Actual results could differ from these estimates. Critical accounting policies and significant estimates include revenue recognition, allowance for doubtful accounts receivable, provision for excess and obsolete inventory, useful lives of long-lived assets, valuation of intangible and long-lived assets, provision for warranty costs, estimated royalty costs, deferred tax asset valuation allowance, foreign exchange forward contracts, and share-based compensation expense.

Revenue Recognition. Our revenue is generated from the sale of wireless modems to wireless operators, OEM customers and distributors. Revenue from product sales is recognized upon the later of transfer of title or shipment of the product to the customer. For product sales with acceptance conditions based upon the passage of contractually specified time periods, revenue is recognized upon the earlier of such time that the acceptance period expires or is waived by our customers upon request. We grant price protection provisions to certain customers and track pricing and other terms offered to customers buying similar products to assess compliance with these provisions. We establish allowances for estimated product returns and price protection in the period in which revenue is recognized. In estimating future product returns, we consider various relevant factors, including our stated return policies and practices, and historical trends. We recognize revenue in accordance with Staff Accounting Bulletin, or SAB, No. 101, Revenue Recognition in Financial Statements, as amended by SAB No. 104, which provides guidance on the application of U.S. generally accepted accounting principles to selected revenue recognition issues.

Allowance for Doubtful Accounts Receivable. We provide an allowance for our accounts receivable for estimated losses that may result from our customers' inability to pay. We determine 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, we review our customers' credit-worthiness periodically based on credit scores generated by independent credit reporting services, our experience with our customers and the economic condition of our customers' industries. Material differences may result in the amount and timing of expense for any period if we were to make different judgments or utilize different estimates. If the financial condition of our customers deteriorates resulting in an impairment of their ability to make payments, additional allowances may be required. We have

not experienced significant variances in the past between our estimated and actual allowance for doubtful accounts and anticipate that we will be able to continue to make reasonable estimates in the future.

Provision for Excess and Obsolete Inventory. Inventories are stated at the lower of cost (first-in, first-out method) or market. We review the components of our inventory and our inventory purchase commitments on a regular basis for excess and obsolete inventory based on estimated future usage and sales. Write-downs in inventory value depend on various items, including factors related to customer demand as discussed under "Revenue" above, economic and competitive conditions, technological advances or new product introductions by us or our customers that vary from our 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.

We believe that, when made, the estimates we use in calculating the inventory provision are reasonable and properly reflect the risk of excess and obsolete inventory. If customer demand for our inventory is substantially less than our estimates, inventory write-downs may be required, which could have a material adverse effect on our consolidated financial statements.

Valuation of Intangible and Long-Lived Assets. We periodically assess the valuation of intangible and long-lived assets, which requires us to make assumptions and judgments regarding the carrying value of these assets. We consider assets to be impaired if the carrying value may not be recoverable based upon our assessment of the following events or changes in circumstances: the asset's ability to continue to generate income from operations and positive cash flow in future periods; loss of legal ownership or title to the asset; significant changes in our strategic business objectives and utilization of the asset; or significant negative industry or economic trends.

Our assessment includes comparing the carrying amounts of intangible and long-lived assets to their fair values, which are determined using a discounted cash flow model. This model requires estimates of our future revenues, profits, capital expenditures, working capital and other relevant factors. We estimate these amounts by evaluating our historical trends, current budgets, operating plans and other industry data. If the assets are considered to be impaired, the impairment charge recognized is the amount by which the asset's carrying value exceeds its estimated fair value.

The timing and frequency of our impairment test is based on an ongoing assessment of triggering events that could reduce the fair value of our long-lived assets below their carrying value. We monitor our intangible and long-lived asset balances and conduct formal tests on at least an annual basis or earlier when impairment indicators are present. We believe that the assumptions and estimates we used to value intangible and long-lived assets were appropriate based on the information available to management. The majority of our long-lived assets are being amortized or depreciated over relatively short periods, typically three to five years. This reduces the risk of large impairment charges in any given period. However, most of these assets are associated with technology that changes rapidly and such changes could have an immediate impact on our impairment analysis.

Warranty Costs. We accrue 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. Our 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 our future warranty obligations we consider various relevant factors, including the historical frequency and volume of claims, and the cost to replace or repair products under warranty. The warranty provision for our products is determined by using a financial model to estimate future warranty costs. Our 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.

We actively engage in product improvement programs and processes to limit our warranty costs, but our warranty obligation is affected by the complexity of our product, product failure rates and costs incurred to correct those product failures. The industry in which we operate is subject to rapid technological change, and as a result, we periodically introduce newer, more complex products. We have not experienced significant variances in the past between our estimated and actual warranty costs. Depending on the quality of our product design and manufacturing, actual product failure rates or actual warranty costs could be materially greater than our estimates, which could harm our financial condition and results of operations.

Royalty Costs. We have intellectual property license agreements which generally require us to make royalty payments based on a percentage of the revenue generated by sales of products incorporating the licensed technology. We recognize royalty obligations in accordance with the terms of the respective royalty agreements. We have also accrued for estimated royalty costs in situations where we do not have agreements based upon our current best estimate of the royalty obligation.

These estimates are based on various market data information and other relevant information. If we enter into such agreements, or when additional market data becomes available, we will revise our estimates if necessary.

Income Taxes. We recognize 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. We also recognize federal, state and foreign deferred tax liabilities or assets based on our estimate of future tax effects attributable to temporary differences and carry forwards and record a valuation allowance to reduce any deferred tax assets by the amount of any tax benefits that, based on available evidence and judgment, are not expected to be realized.

In July 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes—An Interpretation of FASB Statement No. 109 ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes, and prescribes a recognition threshold and measurement attributes for financial statement disclosure of tax positions taken or expected to be taken on a tax return. Under FIN 48, the impact of an uncertain income tax position on the income tax return must be recognized 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. Additionally, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 was effective for fiscal years beginning after December 15, 2006.

For additional information regarding the adoption of FIN 48, see Note 10 of Notes to Consolidated Financial Statements in Part I, Item 1 of this Form 10-Q.

Foreign Exchange Forward Contracts. We use foreign exchange forward contracts to hedge the economic exposure associated with accounts receivable balances denominated in Euros. Our forward contracts do not qualify as accounting hedges. We mark-to-market the forward contracts and include unrealized gains and losses in the current period as a component of other income (expense). As of September 30, 2007, the total amount of outstanding forward contracts amounted to $17.7 million Euros.

Share-based Compensation. We grant stock options, restricted stock, and restricted stock units to our employees and non-employee directors under our current stock plan. The benefits provided under this plan are share-based payments subject to the provisions of SFAS No. 123(R). Effective January 1, 2006, we adopted the requirements of SFAS No. 123(R) which addresses the accounting for share-based payment transactions in which an enterprise receives employee services in exchange for (a) equity instruments of the enterprise or (b) liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. As a result of this accounting requirement, our consolidated financial statements include compensation expense as calculated per the provisions of SFAS No. 123(R). Share-based compensation was $1.6 million and $6.6 million for the three and nine months ended September 30, 2007, respectively, and $2.7 million and $7.4 million for the three and nine months ended September 30, 2006, respectively.

We value our share-based payment option awards using the Black-Scholes option pricing model. The determination of fair value of share-based awards on the date of grant is affected by our stock price as well as assumptions regarding a number of complex and subjective variables. These significant assumptions include our expected stock price volatility over the term of the awards and the expected term of stock options.

We determined our expected volatility by using a combination of historical and implied volatility, or blended volatility, to derive our expected volatility assumption as allowed under SFAS No. 123(R) and SAB No. 107. Implied volatility was based on three-month traded options of our common stock. We determined that the volatility calculated using a blend of implied volatility and our historical volatility was more reflective of expected volatility than using only historical volatility. The expected term of stock options represents the weighted-average period the stock options are expected to remain outstanding. The expected term of options granted is estimated using the vesting term, contractual term and historical experience.

Other assumptions required for estimating fair value under the Black-Scholes option pricing model are the expected risk-free interest rate and expected dividend yield of our stock. Our risk-free interest rate assumption is based upon currently available rates on zero coupon U.S. Government issues for the expected term of our stock options. The expected dividend rate is not applicable to us as we have not historically declared or paid dividends nor do we currently anticipate paying cash dividends in the foreseeable future.

SFAS No. 123(R) also requires forfeitures to be estimated at the time of grant and we have estimated our forfeitures based on historical experience. We will revise this estimate, if necessary, in subsequent periods if actual forfeiture rates differ from our estimates.

If we change any of the critical assumptions that we use in the Black-Scholes option pricing model such as expected volatility or expected term or if we decide to use a different valuation model in the future, the compensation expense that we record under SFAS No. 123(R) may differ significantly in the future from what we have recorded in the current period.

Future Accounting Requirements

In February 2007, the FASB issued FASB No. 159, The Fair Value Option for Financial Assets and Financial Liabilities ("FASB 159"), which requires companies to provide additional information that will help investors and other users of financial statements to more easily understand the effect of the company's choice to use fair value on its earnings. FASB 159 also requires entities to display the fair value of those assets and liabilities for which they have chosen to use fair value on the face of the balance sheet. FASB 159 is effective for us beginning January 1, 2008. We do not expect FASB 159 to have a material impact on our future results of operations or financial position.

Results of Operations

Three Months Ended September 30, 2007 Compared to Three Months Ended September 30, 2006

Revenue. Revenue for the three months ended September 30, 2007 increased $49.5 million, or 89.8%, to $104.6 million compared to $55.1 million for the same period in 2006. The overall increase in revenue was primarily attributable to an increase in demand for our EV-DO and HSDPA ExpressCards and Embedded Modules, and our EV-DO and HSUPA FMC products. The increase in EV-DO product sales for the three months ended September 30, 2007 compared to the same period in 2006 was approximately $35.4 million. The increase in our HSDPA/HSUPA product sales for the three months ended September 30, 2007 compared to the same period in 2006 was approximately $14.1 million.

Cost of revenue. Cost of revenue for the three months ended September 30, 2007 increased $32.8 million, or 80.4%, to $73.6 million compared to $40.8 million for the same period in 2006. The increase in cost of revenue was primarily related to an increase in product cost of $29.1 million due to the increase in product sales. The remaining increase in cost of revenue primarily consisted of an increase of approximately $1.8 million in royalty costs for intellectual property licenses, an increase of approximately $700,000 related to depreciation of production equipment procured during 2007 to increase manufacturing capacity, an increase in manufacturing overhead costs of approximately $600,000, and an increase of approximately $600,000 in freight and distribution costs during the three months ended September 30, 2007 compared to the same period in 2006.

Gross margin. Gross margin for the three months ended September 30, 2007 increased by $16.7 million, or 116.8%, to $31.0 million compared to $14.3 million for the same period in 2006. The increase was primarily attributable to the changes in revenue and cost of revenue as discussed above. Gross margin as a percentage of revenue increased to 29.6% for the three months ended September 30, 2007 compared to 26.0% for same period in 2006. The increase in gross margin as a percentage of revenue was primarily attributable to the additional revenue that exceeded our fixed cost structure, and increased sales of EV-DO products, which carry higher margins than universal mobile terrestrial system, or UMTS, and HSDPA products.

Research and development expenses. Research and development expenses for the three months ended September 30, 2007 increased $1.0 million, or 11.5%, to $9.7 million compared to $8.7 million for the same period in 2006. The increase was primarily attributable to an increase in salary and related expenses of approximately $1.2 million, and approximately $300,000 related to research and development overhead costs. These increases were offset by a decrease of approximately $500,000 in outside services primarily related to product development certification costs during the three months ended September 30, 2007 as compared to the same period in 2006.

Sales and marketing expenses. Sales and marketing expenses for the three months ended September 30, 2007 increased approximately $1.2 million, or 32.4%, to $4.9 million compared to approximately $3.7 million for the same period in 2006. The increase was primarily a result of an increase in sales and marketing personnel resulting in increased salary and related expenses of approximately $1.3 million. Sales and marketing overhead expenses also increased by approximately $200,000, offset by a decrease in marketing expenses of approximately $200,000, and a decrease in SFAS No. 123(R) share-based compensation expense of approximately $100,000 for the three months ended September 30, 2007 as compared to the same period in 2006.

General and administrative expenses. General and administrative expenses for the three months ended September 30, 2007 increased approximately $200,000, or 5.4%, to $3.9 million compared to $3.7 million for the same period in 2006. The increase was primarily attributable to an increase in professional services and legal fees of approximately $600,000, salary and related expenses of approximately $500,000, building and utility expenses of approximately $300,000 related to additional office spaces leased due to continued company growth and travel and related expenses of approximately $100,000,

offset by a decrease in share-based compensation expense of approximately $1.0 million, and a decrease in overhead costs of approximately $500,000 for the three months ended September 30, 2007 as compared to the same period in 2006.

Interest income and expense. Interest income and expense increased by approximately $1.0 million for the three months ended September 30, 2007 compared to the same period in 2006 primarily due to the increase in our average cash and marketable securities balances in 2007, as well as an increase in the average yields realized on our marketable securities and cash balances, which resulted in higher income as compared to the same period in 2006.

Other income (expense). Other income (expense) increased by approximately $400,000 for the three months ended September 30, 2007 compared to the same period in 2006 due to the increase in our foreign exchange gains on our Euro denominated receivable and cash balances, and on our forward foreign exchange contracts.

Income tax expense (benefit). Income tax expense (benefit) of approximately $5.3 million for the three months ended September 30, 2007 consisted of federal and state taxes at our estimated effective tax rate of approximately 36%. The difference between the federal and state statutory rate of 40% and our effective tax rate is due primarily to research and development credits generated in 2007 and a low effective state tax rate. This compares to an income tax benefit of approximately $400,000 recorded during the three months ended September 30, 2006. The income tax benefit and related deferred tax asset recorded during the third quarter of 2006 was based on the expected annualized effective tax rate. The effective tax rate for the three months ended September 30, 2006 was approximately 33%. The difference between the federal and state statutory combined rate of 40% and our effective tax rate for 2006 was primarily due to the decrease in our estimated 2006 tax rate to 64% during the third quarter as compared to our estimated 2006 tax rate of 73%.

Net income (loss). For the three months ended September 30, 2007, we reported net income of $9.2 million, as compared to a net loss of approximately $900,000 for the same period in 2006. The increase in net income was due to the growth in revenue and overall profitability of the Company as discussed above.

Nine Months Ended September 30, 2007 Compared to Nine Months Ended September 30, 2006

Revenue. Revenue for the nine months ended September 30, 2007 increased $170.9 million, or 121.2%, to $311.9 million compared to $141.0 million for the same period in 2006. The overall increase in revenue was primarily attributable to an increase in demand for our EV-DO and HSDPA ExpressCards and Embedded Modules, and our EV-DO and HSUPA FMC products. The overall increase in EV-DO product sales for the nine months ended September 30, 2007 compared to 2006 was approximately $137.3 million. Our HSDPA/HSUPA product sales increased by approximately $33.6 million during the nine months ended September 30, 2007 compared to the same period in 2006.

Cost of revenue. Cost of revenue for the nine months ended September 30, 2007 increased $110.1 million, or 103.7%, to $216.3 million compared to $106.2 million for the same period in 2006. The increase in cost of revenue was primarily related to an increase in product cost of $95.5 million due to the increase in product sales and new product introduction efforts. The remaining increase in cost of revenue primarily consists of approximately $6.7 million in royalty costs for intellectual property licenses, an increase in manufacturing overhead costs of approximately $2.5 million, an increase in freight and distribution costs of approximately $2.5 million due to the additional volume of products shipped, an increase of approximately $1.5 million related to the write-down of excess and obsolete inventory, and an increase of approximately $1.4 million related to depreciation expense of production equipment procured to increase manufacturing capacity during the nine months ended September 30, 2007 as compared to the same period in 2006.

Gross margin. Gross margin for the nine months ended September 30, 2007 increased by $60.9 million, or 175.0%, to $95.6 million compared to $34.8 million for the same period in 2006. The increase was primarily attributable to the increase in revenue as discussed above. Gross margin as a percentage of revenue increased to 30.7% for the nine months ended September 30, 2007 compared to 24.7% for the same period in 2006 primarily due to the additional revenue that exceeded our fixed cost structure, and increased sales of EV-DO products, which carry higher margins than UMTS and HSDPA products.

Research and development expenses. Research and development expenses for the nine months ended September 30, 2007 increased $6.1 million, or 27.1%, to $28.6 million compared to $22.5 million for the same period in 2006. The increase was primarily attributable to an increase in salary and related expenses of approximately $3.8 million. Other increases consist of approximately $1.1 million related to an increase in building and utilities, approximately $700,000 in depreciation of capital equipment procured to support increased product development activities, approximately $400,000 in outside services primarily related to product development certification efforts, and approximately $100,000 in travel and related costs in 2007 as compared to the same period in 2006.

Sales and marketing expenses. Sales and marketing expenses for the nine months ended September 30, 2007 increased approximately $5.7 million, or 57.6%, to $15.6 million compared to approximately $9.9 million for the same period in 2006. The increase was primarily due to additional sales and marketing personnel resulting in higher salary and related expenses of approximately $3.8 million. In addition to the increases in personnel expenses, product marketing and advertising expenses increased by approximately $1.4 million which consisted primarily of programs entered into with certain carriers to promote our products, and approximately $400,000 in travel and related costs for the nine months ended September 30, 2007 as compared to the same period in 2006.

General and administrative expenses. General and administrative expenses for the nine months ended September 30, 2007 increased approximately $1.1 million, or 9.6%, to $12.5 million compared to $11.4 million for the same period in 2006. The increase was primarily attributable to an increase in salary and related expenses of approximately $1.7 million, building and utility expenses of approximately $1.3 million related to additional office spaces leased due to continued company growth, professional services and legal fees of approximately $500,000, travel and related expenses of approximately $200,000, and supplies expenditures of approximately $200,000. These costs were partially offset by a decrease in share-based compensation expense of approximately $1.0 million, and a decrease in overhead costs of approximately $1.8 million during the nine months ended September 30, 2007 as compared to the same period in 2006.

Interest income and expense. Interest income and expense increased by approximately $2.0 million for the nine months ended September 30, 2007 compared to the same period in 2006 primarily due to the increase in our average cash and marketable securities balances in 2007, as well as an increase in the average yields realized on our cash and marketable securities balances, which resulted in higher income as compared to the same period in 2006.

Other income (expense). Other income (expense) decreased by approximately $700,000 for the nine months ended September 30, 2007 compared to the same period in 2006 primarily due to the decrease in our foreign exchange gains on our Euro denominated cash and receivable balances, and on our forward foreign exchange contracts.

Income tax expense (benefit). Income tax expense (benefit) of approximately $16.2 million for the nine months ended September 30, 2007 consisted of federal and state taxes at our estimated effective tax rate of approximately 37%. The difference between the federal and state statutory rate of 40% and our effective tax rate was due primarily to research and development credits generated in 2007 and a low effective state tax rate. This compares to an income tax benefit of $3.8 million recorded during the nine months ended September 30, 2006. The income tax benefit and related deferred tax asset recorded during the nine months ended September 30, 2006 was based on the expected annualized effective tax rate. The effective tax rate for the nine months ended September 30, 2006 was approximately 64%. The difference between the federal and state statutory combined rate of 40% and our effective tax rate for 2006 was primarily due to the result of the impact of accounting for share-based compensation, for which certain share-based awards are treated as permanent differences.

Net income (loss). For the nine months ended September 30, 2007, we reported a net income of $27.3 million as compared to a net loss of $2.1 million for the same period in 2006. The increase in net income was due to the growth in revenue and overall profitability of the Company as discussed above.

Liquidity and Capital Resources

As of September 30, 2007, we had working capital of $162.4 million and approximately $130.1 million in cash and cash equivalents and short-term and long-term marketable securities, which is an increase of approximately $45.9 million from $84.2 million at December 31, 2006.

Historical Cash Flows

Net cash provided by operating activities. Net cash provided by operating activities was approximately $18.2 million for the nine months ended September 30, 2007 compared to net cash provided by operating activities of $2.8 million for the same period in 2006. Net cash provided by operating activities in 2007 was primarily attributable to the net income of $27.3 million, a $10.7 million increase in accrued expenses, $7.9 million of non-cash depreciation and amortization expense, $6.6 million in non-cash share-based compensation expense, and a $900,000 net increase in inventories which includes a $2.3 million inventory provision. These increases were offset by a $22.9 million increase in accounts receivable, an $8.8 million increase in excess tax benefits from stock options exercised, and a $5.4 million decrease in accounts payable. Net cash provided by operating activities in 2006 was primarily attributable to $7.4 million in non-cash share-based compensation expense, a $6.0 million decrease in our inventories including $1.4 million related to excess and obsolete inventory, $5.8 million of non-cash depreciation and amortization expense, a $5.3 million decrease in prepaid and other assets, a $1.8 million increase in accrued expenses. These increases were primarily offset by an $11.0 million increase in our accounts receivable balance, a $5.9 million decrease in our accounts payable balance, and a net loss of $2.1 million for the nine months ended September 30, 2006.

Net cash (used in) provided by investing activities. Net cash used in investing activities for the nine months ended September 30, 2007 was approximately $27.2 million compared to net cash provided by investing activities of approximately $1.0 million during the same period in 2006. Net cash used in investing activities in 2007 was primarily due to purchases of property and equipment of $13.8 million, and net purchases of securities of $13.5 million. Net cash provided by investing activities in 2006 was primarily due to the net maturities/sales of marketable securities of $7.6 million offset by purchases of property and equipment of $6.1 million, and purchases of intangible assets of $500,000.

Net cash provided by (used in) financing activities. Net cash provided by financing activities for the nine months ended September, 2007 was approximately $41.5 million, compared to $6.7 million used in financing activities during the same period in 2006. Net cash provided by financing activities in 2007 was primarily due to $32.7 million of proceeds from the exercise of stock options and $8.8 million of excess tax benefits from stock options exercised. Net cash used in financing activities in 2006 was primarily due to payments on our line of credit of $5.0 million, and payments on capital lease obligations of approximately $3.9 million, offset by $1.6 million of proceeds received from the exercise of common stock options and approximately $600,000 of excess tax benefits from stock options exercised.

Contractual Obligations and Commercial Commitments

The following table summarizes our contractual obligations and commercial commitments at September 30, 2007, and the effect such obligations could have on our liquidity and cash flows in future periods (in thousands):

	Payments Due by Fiscal Year						
	2007	2008	2009	2010	2011	Thereafter	Total
Operating leases	$ 365	$ 2,195	$2,296	$2,350	$ 92	$ —	$ 7,298
Capital leases	26	104	104	104	104	44	486
Committed purchase orders	34,193	102,578	—	—	—	—	136,771
Total contractual obligations	$34,584	$104,877	$2,400	$2,454	$196	$ 44	$144,555

As a result of our adoption of FIN 48, we increased our liability for uncertain tax benefits, including interest, as of January 1, 2007 to approximately $3.7 million. Our tax liability for uncertain tax benefits is not included in our table of contractual obligations and commercial commitments as we cannot reasonably estimate the timing of future payments with respect to this liability.

Other Liquidity Needs

During the next twelve months we plan to incur approximately $15.0 million to $18.0 million for the acquisition of property and equipment and additional licenses.

We believe that our available cash and investments, together with our operating cash flows and available borrowings under our line of credit facility, will be sufficient to fund operations, including the continued expansion of our sales and marketing team, the further development of our new products and the related increase in our general and administrative expenses, and to satisfy our working capital requirements and anticipated capital expenditures for the next twelve months. We expect that a significant source of funds in the future will be our operating cash flow. Our future revenue is dependent on us fulfilling our commitments under agreements with a small number of major customers. Our liquidity could be impaired if there is any interruption in our business operations, a material failure to satisfy these contractual commitments or a failure to generate additional revenue from new or existing products.

Risks Related to Our Business

Before deciding to purchase, hold or sell our common stock, you should carefully consider the risks described below in addition to the other cautionary statements and risks described elsewhere, and the other information contained, in this Report and in our other filings with the SEC, including our Annual Report on Form 10-K for the year ended December 31, 2006 and subsequent reports on Forms 8-K and 10-Q. The risks and uncertainties described below are those that we currently deem to be material, and do not represent all of the risks that we face. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may in the future become material and impair our business operations. If any of the following risks actually occurs, our business could be materially harmed, and our financial condition and results of operations could be materially and adversely affected. As a result, the trading price of our securities could decline, and you might lose all or part of your investment. You should also refer to the other information contained in this Form 10-Q, including our financial statements and the related notes.

The market for wireless broadband data access products is highly competitive, and we may be unable to continue to compete effectively.

The market for wireless broadband data access products is highly competitive, and we expect competition to continue to increase and intensify. Many of our competitors or potential competitors have significantly greater financial, technical, operational and marketing resources than we do. These competitors, for example, may be able to respond more rapidly or more effectively than we can to new or emerging technologies, changes in customer requirements, supplier related developments, or a shift in the business landscape. They also may devote greater or more effective resources than we do, or than we can, to the development, promotion, sale, and post-sale support of their respective products and services.

Many of our current or potential competitors have more extensive customer bases and broader customer, supplier and other industry relationships that they can leverage to establish competitive dealings with many of our current and potential customers. Some of these companies also have more established and larger customer support organizations than we do. In addition, these companies may adopt more aggressive pricing policies or offer more attractive terms to customers than they currently do or than we are able to, may bundle their competitive products with broader product offerings and may introduce new products and enhancements. Current and potential competitors might merge or otherwise establish cooperative relationships among themselves or with third parties to enhance their products or market position. As a result, it is possible that new competitors or new or otherwise enhanced relationships among existing competitors may emerge and rapidly acquire significant market share to the detriment of our business.

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

- wireless data modem providers, such as Huawei, Option, Sierra Wireless, Kyocera, and Sony-Ericsson; and
- wireless handset providers, such as Motorola, Nokia, Siemens and Sony-Ericsson.

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

Our failure to predict and comply with evolving wireless industry standards, including 3G standards, could hurt our ability to introduce and sell new products.

In our industry, it is critical to our success that we accurately anticipate evolving wireless technology standards and that our products comply with such standards in relevant respects. We are currently focused on engineering and manufacturing products that comply with several different 3G wireless standards. Any failure of our products to comply with any one of these or future applicable standards could prevent or delay their introduction and require costly and time-consuming engineering changes. Additionally, if an insufficient number of wireless operators or subscribers adopt the standards to which we engineer our products, then sales of our new products designed to those standards could be materially harmed.

If we fail to develop and introduce new products successfully, we may lose key customers or product orders and our business could be harmed.

The development of new wireless data products requires technological innovation and can be difficult, lengthy and costly. In addition, wireless operators require that wireless data systems deployed on their networks comply with their own technical and product performance standards, which may differ from the standards our products are required to meet for other operators. This increases the complexity of the product development and customer approval process. In addition, as we introduce new versions of our existing products or new products altogether, our current customers may not require or desire the technological innovations of these products and may not purchase them or might purchase them in smaller quantities than we had expected.

Further, as part of our strategy, we enter into contracts with some customers pursuant to which we develop products for later sale to the customer. Our ability to generate future revenue and operating income under any such contracts depends upon, among other factors, our ability to timely develop products that are suitable for manufacturing in a cost effective manner and that meet defined product design, technical and performance specifications. Our ability to maximize the benefits of these contracts depends in part on the following:

- We have priced the products to be sold under these contracts based on our estimated development, production and post-production customer support and warranty costs. If these or other related development, production or support costs are actually higher than our estimated costs, our gross margins and operating margins on the corresponding contracts will be less than anticipated.
- If we are unable to commit the necessary engineering, program management and other resources or are otherwise unable to successfully develop products as required by the terms of these contracts, our customers might cancel the related contracts, we may not be entitled to recover any costs that we incurred for research and development, sales and marketing, production and otherwise, and we may be subject to additional costs such as contractual penalties.
- If we fail to deliver in a timely manner a product that is suitable for manufacture or if a customer determines that a prototype product we delivered does not meet the agreed-upon specifications, we may be unable to commercially launch the product, we may have to reduce the price we charge for such product if it launches, or we may be required to pay damages to the customer.

If we are unable to successfully manage these risks or meet required delivery specifications or deadlines in connection with one or more of our key contracts, we may lose key customers or orders and our business could be harmed.

If we fail to develop and maintain strategic relationships, we may not be able to penetrate new markets.

A key element of our business strategy is to penetrate new markets by developing new products through strategic relationships with industry leaders in wireless communications. We are currently investing, and plan to continue to invest, significant resources to develop these relationships. We believe that our success in penetrating new markets for our products will depend, in part, on our ability to develop and maintain these relationships and to cultivate additional or alternative relationships. There can be no assurance, however, that we will be able to develop additional strategic relationships, that existing relationships will survive and successfully achieve their purposes or that the companies with whom we have strategic relationships will not form competing arrangements with others or determine to compete unilaterally with us.

Since we have historically depended, and continue to depend, upon only a small number of our customers for a substantial portion of our revenues, our business could be negatively affected by an adverse change in our dealings with only a few customers.

A significant portion of our revenue comes from a small number of customers. Three customers accounted for 35%, 27%, and 10% of revenues for the nine months ended September 30, 2007. Two customers accounted for 40% and 18% of revenues for the nine months ended September 30, 2006. Similarly, our revenue could be adversely affected if we are unable to retain the level of business of any of our significant customers or if we are unable to diversify our customer base. We expect that a small number of customers will combine to account for a substantial amount of our revenue for the foreseeable future and any impairment of our relationship with these customers could adversely affect our business.

In addition, a majority of our current customers purchase our products pursuant to contracts that do not require them to purchase any specific minimum quantity of units other than the number of units ordered on an individual purchase order. Such customers have no contractual obligation to continue to purchase our products and if they do not continue to make purchases consistent with their historical purchase levels, our revenue would decline assuming we are unable to remedy this shortfall in full from other existing or new customers.

In light of the limited number of leading wireless operators and OEMs that form our primary customer base, most of whom are already customers, it would be difficult to replace lost revenue resulting from the loss of any significant existing customer or from a material reduction in the volume of business we conduct with any significant existing customer. Consolidation among our customers may further concentrate our business in a limited number of customers and expose us to increased risks relating to dependence on a limited number of customers, which dependence could adversely affect our operating results.

We have had to qualify, and are required to maintain our status, as a supplier for each of our customers. This is a lengthy process that involves the inspection and approval by each customer of our engineering, documentation,

manufacturing and quality control procedures before that customer will place volume orders. Attempts to lessen the adverse effect of any loss of, or any material reduction in the volume of business we conduct with, any significant existing customer through the rapid addition of one or more new customers would be difficult because of these qualification requirements. Consequently, our business and operating results could be adversely affected by the loss of, or any material reduction in the volume of business we conduct with, any existing significant customer.

The sale of our products depends on the demand for broadband wireless access to enterprise networks and the Internet.

The markets for broadband wireless access solutions are relatively new and rapidly evolving, both technologically and competitively, and the successful sale of related products and services depends in part on the strength of the demand for wireless access to both enterprise networks and the Internet. At times in the past, market demand for both wireless products and wireless access services for the transmission of data developed at a slower rate than we had anticipated and as a result our product sales did not generate sufficient revenue to cover our corresponding operating costs. The failure of these markets to continue to grow at the rate that we currently anticipate may adversely impact the growth in the demand for our products and our concomitant rate of growth, and as a result, our business, financial condition and results of operations may be harmed.

The marketability of our products may suffer if wireless telecommunications operators do not deliver acceptable wireless services.

The success of our business depends, in part, on the capacity, affordability, reliability and prevalence of wireless data networks provided by wireless telecommunications operators and on which our products operate. Currently, various wireless telecommunications operators, either individually or jointly with us, sell our products in connection with the sale of their wireless data services to their customers. Growth in demand for wireless data access may be limited if, for example, wireless telecommunications operators cease or materially curtail operations, fail to offer services that customers consider valuable at acceptable prices, fail to maintain sufficient capacity to meet demand for wireless data access, delay the expansion of their wireless networks and services, fail to offer and maintain reliable wireless network services or fail to market their services effectively. In addition, our future growth depends on the successful deployment of next generation wireless data networks provided by third parties, including those networks for which we are currently developing products. If these next generation networks are not deployed or widely accepted, or if deployment is delayed, there will be no market for the products we are developing to operate on these networks. If any of these events occurs, or if for any other reason the demand for wireless data access fails to grow, sales of our products will decline or remain stagnant and our business could be harmed.

If we do not properly manage the growth of our business, we may experience significant strains on our management and operations and disruptions in our business.

Various risks arise when companies and industries grow quickly. If our business or industry grows too quickly, our ability to meet customer demand in a timely and efficient manner could be challenged beyond our ability to properly respond accordingly. We may also experience development, certification or production delays as we seek to meet increased demand for our products. Our failure to properly manage the growth that we or our industry might experience could negatively impact our ability to execute on our operating plan then in effect and, accordingly, could have an adverse impact on our business, our cash flow and results of operations, and our reputation with our current or potential customers.

We currently rely on third parties to manufacture our products, which exposes us to a number of risks and uncertainties outside our control.

We currently outsource our manufacturing to LG Innotek and Inventec Appliances Corporation. If one of these third-party manufacturers were to experience delays, disruptions, capacity constraints or quality control problems in its manufacturing operations, product shipments to our customers could be delayed or our customers could consequently elect to cancel the underlying product purchase order, which would negatively impact our revenues and our competitive position and reputation. Further, if we are unable to manage successfully our relationship with a manufacturer, the quality and availability of our products may be harmed. None of our third-party manufacturers is obligated to supply us with a specific quantity of products, except as may be provided in a particular purchase order that we may submit to them from time to time and that has been accepted. Therefore, such a third-party manufacturer could under some circumstances decline to accept new purchase orders from us or otherwise reduce its respective business with us. If such a manufacturer stopped manufacturing our products for any reason or reduced manufacturing capacity, we may be unable to replace the lost manufacturing capacity on a timely and comparatively cost effective basis, which would adversely impact our operations. In addition, if a third-party manufacturer were to negatively change the payment and other terms under which it agrees to manufacture for us and we are unable to locate a suitable alternative manufacturer, our manufacturing costs could significantly increase.

Because we outsource the manufacture of all of our products, the cost, quality and availability of third-party manufacturing operations are essential to the successful production and sale of our products. Our reliance on third-party manufacturers exposes us to a number of risks which are outside our control, including:

- unexpected increases in manufacturing costs;
- interruptions in shipments if a third-party manufacturer is unable to complete production in a timely manner;
- inability to control quality of finished products;
- inability to control delivery schedules;
- inability to control production levels and to meet minimum volume commitments to our customers;
- inability to control manufacturing yield;
- inability to maintain adequate manufacturing capacity; and
- inability to secure adequate volumes of acceptable components, at suitable prices or in a timely manner.

Although we promote ethical business practices and our operations personnel periodically visit and monitor the operations of our manufacturers, we do not control the manufacturers or their labor practices. If our current manufacturers, or any other third-party manufacturer which we use in the future, violate United States or foreign laws or regulations, we may be subjected to extra duties, significant monetary penalties, adverse publicity, the seizure and forfeiture of products that we are attempting to import or the loss of our import privileges. The effects of these factors could render the conduct of our business in a particular country undesirable or impractical and have a negative impact on our operating results.

We might forecast our customer demand incorrectly and order the manufacture of excess or insufficient quantities of particular products.

We have historically placed purchase orders with our manufacturers at least three months prior to the scheduled delivery of the finished goods to our customer. In some instances, due to the length of component lead times, we might need to place manufacturing orders with our contract manufacturer on the basis of our receipt of a good-faith but non-binding customer forecast of the quantity and timing of the customer's expected purchases from us. Accordingly, if the actual number of units that a customer orders from us on the subsequently issued purchase order differs materially from the number of units in respect of which we instructed our manufacturer to procure component parts, we might be unable to obtain in time adequate quantities of components to meet our customers' binding delivery requirements or, alternatively, we might accumulate excess inventory that we are unable to timely use or resell, if at all. Our operating results and financial condition have been in the past and may in the future be materially adversely affected by our ability to manage our inventory levels and respond to short-term or unexpected shifts in customer demand as to quantities or the customer's product delivery schedule.

We depend on sole source suppliers for some components used in our products, and therefore the availability and sale of those finished products would be harmed if any of these suppliers is not able to meet our demand and our production schedule and alternative suitable components are not available on acceptable terms, if at all.

Our products contain a variety of components, some of which are procured from single suppliers. These components include both tooled parts and industry-standard parts, some of which are also used in cellular telephone handsets. From time to time, certain components used in our products have been in short supply worldwide or their anticipated commercial introduction has been delayed. If there is a shortage of any such components, and we cannot obtain a commercially and technologically suitable substitute or make sufficient and timely design or other product modifications to permit the use of such a substitute, we may not be able to timely deliver sufficient quantities of our products to satisfy our contractual obligations and particular revenue expectations. Moreover, even if we timely locate a substitute part (or locate the originally specified component from a parts broker) and its price materially exceeds our costed bill of materials, then our results of operations would be adversely affected.

Others might claim that our products, or components within our products, infringe on their respective intellectual property rights, which may result in substantial costs, diversion of resources and management attention, harm to our reputation or interference with our current or prospective customer relations.

It is possible that other parties might claim that we or our suppliers have violated their respective intellectual property rights. An infringement or misappropriation claim, for example, regardless of the merits or success of the claim, could result in substantial costs to us, diversion of resources and management attention and harm to our reputation. Such claims can be difficult and costly to verify, assess and defend against. A successful infringement claim against us could cause us to be liable for damages and litigation costs. In addition, a finding of infringement on our part (or in some instances, our customer's reasonable conclusion that a *bona fide* infringement claim is likely to be made) could have other negative consequences,

including prohibiting us from further use of the intellectual property, causing us to have to modify our product, if possible, so it does not infringe, or causing us to have to license the intellectual property at issue, thereby incurring licensing fees, some of which could be retroactive. Upon the occurrence of a successful infringement claim, we may also have to develop a non-infringing alternative, which if available could be costly, and delay or prevent sales of our products.

Our business depends on our continued ability to license necessary third-party technology, and we may not be able to license necessary third-party technology or it may be expensive to do so.

We license technology from third parties for the development of our products. We have licensed from third parties, such as QUALCOMM, software, patents and other intellectual property for use in our products and from time to time we may elect or be required to license additional intellectual property. The license from QUALCOMM, for example, does not have a specified term and may be terminated by us or by QUALCOMM for cause or upon the occurrence of other specified events. There can be no assurance that we will be able to maintain our third-party licenses, that such licenses themselves will not be the subject of dispute or adverse litigation, or that additional third-party licenses will be available to us on commercially reasonable terms, if at all. The inability to maintain or obtain third-party licenses required for our products or to develop new products and product enhancements could require us to seek to obtain substitute technology of lower quality or performance standards, if such exists, or at greater cost, which could seriously harm our competitive position, revenue and growth prospects.

We are subject to the risks of doing business abroad, which could negatively affect our international sales activities and our ability to obtain products from our foreign manufacturers.

In addition to our manufacturing activities in Asia, a significant portion of our sales activity takes place in Europe. In addition, a significant portion of our research and development staff is located in Canada. Our international sales accounted for approximately 23% of our revenue for the nine months ended September 30, 2007 and 29% for the nine months ended September 30, 2006. Although our experience in marketing, selling, distributing and manufacturing our products and services internationally is limited, we expect to further expand our international sales and marketing activities in the future. Consequently, we are subject to certain risks associated with doing business abroad, including:

- difficulty in managing widespread sales, research and development operations and post-sales logistics and support;
- changes in a specific country's or region's political or economic conditions, particularly in emerging markets, and changes in diplomatic and trade relationships;
- less effective protection of intellectual property and general exposure to different legal standards;
- trade protection measures and import or export licensing requirements;
- potentially negative consequences from changes in tax laws;
- increased expenses associated with customizing products for different countries;
- unexpected changes in regulatory requirements resulting in unanticipated costs and delays;
- longer collection cycles and difficulties in collecting accounts receivable;
- longer sales cycles;
- international terrorism;
- loss or damage to products in transit; and
- international dock strikes or other transportation delays.

Any disruption in our ability to obtain products from our foreign manufacturers or in our ability to conduct international operations and sales could have a material adverse effect on our business, financial condition and results of operations.

To the extent we enter into contracts that are denominated in foreign currencies and do not adequately hedge that exposure, fluctuations in exchange rates between the United States dollar and foreign currencies may affect our operating results.

A significant amount of our revenues are generated from sales agreements denominated in foreign currencies, and we expect to enter into additional such agreements as we expand our international customer base. As a result, we are exposed to changes in foreign currency exchange rates, and we currently expect the absolute value of this exposure may increase in the future. In particular, fluctuations in the Euro currency may have a material impact on our future operating results and gross margins.

We attempt to manage this risk, in part, by minimizing the effects of volatility on cash flows by identifying forecasted transactions exposed to these risks and using foreign exchange forward contracts. Since there is a high correlation between the hedging instruments and the underlying exposures, the gains and losses on these underlying exposures are generally offset by reciprocal changes in the value of the hedging instruments. Nevertheless, there can be no assurance that we will not incur foreign currency losses or that foreign exchange forward contracts we may enter into to reduce the risk of such losses will be successful.

Our products may contain errors or defects, which could prevent or decrease their market acceptance and lead to unanticipated costs or other adverse business consequences.

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

Our quarterly operating results may vary significantly from quarter to quarter and may cause our stock price to fluctuate.

Our future quarterly operating results may fluctuate significantly and may fall short of or exceed the expectations of securities analysts, investors or management. If this occurs, the market price of our stock could fluctuate, in some cases materially. The following factors may cause fluctuations in our operating results:

- *Decreases in revenue or increases in operating expenses*. We budget our operating expenses based on anticipated sales, and a significant portion of our sales and marketing, research and development and general and administrative costs are fixed, at least in the short term. If revenue decreases, due to pricing pressures or otherwise, or does not grow as planned and we are unable to reduce our operating costs quickly and sufficiently, our operating results could be materially adversely affected.
- *Product mix.* The product mix of our sales affects profit margins in any given quarter. As our business evolves and the revenue from the product mix of our sales varies from quarter to quarter, our operating results will likely fluctuate in ways that might not be directly proportionate to the fluctuation in revenue.
- *New product introductions.* As we introduce new products, the timing of these introductions within any given quarter will affect our quarterly operating results. We may have difficulty predicting the timing of new product introductions and the market acceptance of these new products. If products and services are introduced earlier or later than anticipated, or if market acceptance is unexpectedly high or low, our quarterly operating results may fluctuate unexpectedly.
- *Lengthy sales cycle.* The length of time between the date of initial contact with a potential customer and the execution of and product delivery under a contract may take several months, or longer, and is subject to delays or interruptions over which we have little or no control. The sale of our products is subject to delays from, among other things, our customers' budgeting, product testing and vendor approval mechanics, and competitive evaluation processes that typically accompany significant information technology purchasing decisions. As a result, our ability to anticipate the timing and volume of sales to specific customers is limited, and the delay or failure to complete one or more large transactions could cause our operating results to vary significantly from quarter to quarter.
- *Foreign currency*. As noted above, we are exposed to market risk from changes in foreign currency exchange rates. In particular, fluctuations in the Euro currency may have a material impact on our future operating results and gross margins. Our attempts to minimize the effects of volatility in foreign currencies on cash flows may not be successful.

Due to these and other factors, our results of operations may fluctuate substantially in the future and quarter-to-quarter comparisons may not be reliable indicators of future operating or share price performance.

We may not be able to maintain and expand our business if we are not able to hire, retain and manage additional qualified personnel.

Our success in the future depends in part on the continued contribution of our executive, technical, engineering, sales, marketing, operations and administrative personnel. Recruiting and retaining skilled personnel in the wireless communications industry, including software and hardware engineers, is highly competitive.

Although we may enter into employment agreements with members of our senior management and other key personnel in the future, currently only Peter Leparulo, the Company's Executive Chairman, is bound by an employment agreement. If we are not able to attract or retain qualified personnel in the future, or if we experience delays in hiring required personnel, particularly qualified engineers, we may not be able to maintain and expand our business.

For example, on June 6, 2007, our Chief Financial Officer, resigned, effective June 15, 2007, to pursue another business opportunity. Until we hire a permanent replacement, we may lack the guidance and supervision that a qualified and experienced Chief Financial Officer would provide, the lack of which could, in turn, adversely affect our financial reporting systems and strategic planning initiatives.

Any acquisitions we make could disrupt our business and harm our financial condition and results of operations.

As part of our business strategy, we review and intend to continue to review, on an ongoing basis, acquisition opportunities that we believe would be advantageous or complementary to the development of our business. Accordingly, we may acquire businesses, assets, or technologies in the future. If we make any acquisitions, we could take any or all of the following actions, any one of which could adversely affect our business, financial condition, results of operations or share price:

- issue equity or equity-based securities that would dilute existing stockholders' percentage ownership;
- use a substantial portion of our available cash;
- incur substantial debt, which may not be available to us on favorable terms and may adversely affect our liquidity;
- assume contingent liabilities; and
- take substantial charges in connection with acquired assets.

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

Any changes to existing accounting pronouncements or taxation rules or practices may cause adverse fluctuations in our reported results of operations or affect how we conduct our business.

A change in accounting pronouncements or taxation rules or practices can have a significant effect on our reported results and may affect our reporting of transactions completed before the change is effective. Other new accounting pronouncements or taxation rules and varying interpretations of accounting pronouncements or taxation practices have occurred and may occur in the future. The change to existing rules, future changes, if any, or the questioning of current practices may adversely affect our reported financial results or the way we conduct our business.

We may not be able to develop products that comply with applicable government regulations.

Our products must comply with government regulations. For example, in the United States, the Federal Communications Commission, or FCC, regulates many aspects of communications devices, including radiation of electromagnetic energy, biological safety and rules for devices to be connected to telephone networks. In addition to the federal government, some states have adopted regulations applicable to our products. Radio frequency devices, which include our modems, must be approved under the above regulations by obtaining equipment authorization from the FCC prior to being offered for sale. Regulatory requirements in Canada, Europe, Asia and other jurisdictions must also be met. Additionally, we cannot anticipate the effect that changes in domestic or foreign government regulations may have on our ability to develop and sell products in the future. Failure to comply with existing or evolving government regulations or to obtain timely regulatory approvals or certificates for our products could materially adversely affect our business, financial condition and results of operations or cash flows.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

Interest Rate Risk

Our investment portfolio is maintained in accordance with our investment policy that defines allowable investments, specifies credit quality standards and limits our credit exposure to any single issuer. The fair value of our cash equivalents

and marketable securities is subject to change as a result of changes in market interest rates and investment risk related to the issuers' credit worthiness. We do not utilize financial contracts to manage our exposure in our investment portfolio to changes in interest rates. At September 30, 2007, we had $130.1 million in cash, cash equivalents and marketable securities, all of which are stated at fair value. Changes in market interest rates would not be expected to have a material impact on the fair value of $67.1 million of our cash and cash equivalents at September 30, 2007, as these consisted of securities with maturities of less than three months. A 100 basis point increase or decrease in interest rates would, however, decrease or increase, respectively, the remaining $63.1 million of our investments by approximately $630,000. While changes in interest rates may affect the fair value of our investment portfolio, any gains or losses will not be recognized in our consolidated statements of operations until the investment is sold or until the reduction in fair value was determined to be other than temporary.

Foreign Currency Exchange Rate Risk

During the nine months ended September 30, 2007, approximately $49.2 million of our sales transactions were denominated in Euros. In order to hedge against the short-term impact of foreign currency fluctuations on our accounts receivable balances we have entered into forward foreign exchange contracts. The effect of exchange rate changes on forward foreign exchange contracts is expected to offset the effect of exchange rate changes on the underlying hedged items. We believe these financial instruments do not subject us to speculative risk that would otherwise result from changes in currency exchange rates. If foreign currency rates were to fluctuate by 10% from rates at September 30, 2007, our financial position, results of operations and cash flows would not be materially affected. We do not use foreign currency forward exchange contracts for speculative or trading purposes.

All of our outstanding foreign currency contracts are marked-to-market, with unrealized gains and losses included as a component of other income and expense. As of September 30, 2007, the total amount of outstanding forward contracts amounted to 17.7 million Euros. During the nine months ended September 30, 2007, we recorded an unrealized loss of approximately $500,000 on our forward contracts. In addition, we recorded approximately $800,000 of foreign currency gains related to our foreign currency receivable and cash balances denominated in Euros in other income and expense during the nine months ended September 30, 2007.

Revenues generated outside the United States, as a percentage of total revenues, were approximately 23% for the nine months ended September 30, 2007 and 29% for the same period in 2006. Significant fluctuations in foreign exchange rates could impact future operating results.

Item 4. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures: We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports to the SEC is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer, and principal financial and accounting officer, as appropriate, to allow timely decisions regarding required disclosure.

As of September 30, 2007, the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial and accounting officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our principal executive officer and principal financial and accounting officer concluded that our disclosure controls and procedures were effective as of September 30, 2007.

Changes in Internal Control Over Financial Reporting. An evaluation was also performed under the supervision and with the participation of our management, including our principal executive officer and principal financial and accounting officer, of any change in our internal controls over financial reporting that occurred during our last fiscal quarter and that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting. That evaluation did not identify any change in our internal controls over financial reporting that occurred during our latest fiscal quarter and that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II—OTHER INFORMATION

Item 1. *Legal Proceedings*.

Not applicable

Item 1A. *Risk Factors*.

See Part I, Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations—Risks Related to Our Business."

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

Not applicable

Item 3. *Defaults upon Senior Securities*.

Not applicable

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

Not applicable

Item 5. *Other Information*.

Not applicable

Item 6. *Exhibits.*

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 on 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 on 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	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).
3.5	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).
3.6	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).
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 November 14, 2000, as amended).
4.2	Amended and Restated Investors' Rights Agreement, dated as of June 30, 2000, by and among the Company and certain of its stockholders (incorporated by reference to Exhibit 10.5 to the Company's Registration Statement on Form S-1 (No. 333-42570), filed November 14, 2000, as amended).
4.3	Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1 (No. 333-42570), filed November 14, 2000, as amended).
4.4	Form of Preferred Stock and Warrant Purchase Agreement entered into in connection with the Company's 2001 Series A Convertible Preferred Stock Financing (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed January 18, 2002).
4.5	Registration Rights Agreement dated as of September 12, 2002 by and among the Company and certain of its stockholders (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed October 21, 2002).

Exhibit Number	Description
4.6	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).
4.7	Registration Rights Agreement 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).
4.8	Securities Purchase Agreement entered into in connection with the Company's January 2004 Common Stock and Warrant Financing Transaction (incorporated by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003, filed March 15, 2004).
4.9	Registration Rights Agreement 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).
4.10	Form of Common Stock Purchase Warrant issued in connection with the Company's January 2004 Common Stock and Warrant Financing Transaction (incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003, filed March 15, 2004).
10.1	Employment Agreement, dated November 2, 2007, between the Company and Peter V. Leparulo.
10.2	Interim Financial Management Services Agreement, dated September 4, 2007, between the Company and Leddon & Associates, as amended.
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 and Accounting Officer adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of our Principal Executive Officer and Principal Financial and Accounting Officer adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: November 9, 2007

Novatel Wireless, Inc.

By: /S/ BRAD WEINERT

Brad Weinert
President
(principal executive officer)

Exhibit 10.1

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is made and entered into as of November 2, 2007 by and between Novatel Wireless, Inc., a Delaware corporation (the "Company"), and Peter V. Leparulo ("Executive").

RECITALS

A. The Company employed Executive on an "at will" basis beginning September 29, 2000.

B. The Company elevated Executive to the position of Chief Executive Officer on January 13, 2003 and to the position of Executive Chairman on November 17, 2006.

C. The Company now desires to obtain the benefit of continued services by Executive as the Company's Executive Chairman and to employ Executive on a contract basis and to enter into an agreement embodying the terms of such employment.

AGREEMENT

NOW THEREFORE, in consideration of the foregoing recitals, the mutual promises and covenants contained herein, and for other good and valuable consideration, the receipt and adequacy of which are mutually acknowledged, the Company and Executive agree as follows:

1. Employment and Duties. During the Employment Period (as defined in Section 2.2 below), Executive shall serve as Executive Chairman of the Company, reporting solely to the Company's Board of Directors (the "Board"), and Executive shall be a member of the Board. In such capacity, Executive shall be the highest-ranking and most senior officer of the Company, with overall management responsibility for, and overall management authority over, the business and affairs of the Company. The duties, authority and responsibilities of Executive shall be the usual and customary duties, authority and responsibilities of the offices in which Executive shall serve. Executive shall have such executive power and authority as shall reasonably be required to enable him to discharge his duties in the offices which he may hold. The Company shall use its best efforts to nominate and cause Executive to be elected as follows: (i) to the Board, and (ii) as sole Chairman of the Board.

2. Term and Termination.

2.1 Effective Date. This Agreement shall be effective as of the date this Agreement is entered into by the Company and Executive, as set forth above (the "Effective Date").

2.2 Employment Period. Subject to the provisions of this Agreement, the initial term of this Agreement shall begin on the Effective Date and shall terminate on the third anniversary of the Effective Date (the "Initial Term"). Effective on the expiration of the Initial Term and of each Additional Term (as hereinafter defined), this Agreement shall automatically renew for a period of one (1) year (each, an "Additional Term"), in each case, commencing on the expiration of the Initial Term or the then current

Additional Term, as the case may be, unless any party provides written notice of non-renewal to the other party at least sixty (60) calendar days prior to the expiration of the Initial Term or such Additional Term, or unless earlier terminated by either party pursuant to the terms of this Agreement. The Initial Term and each Additional Term shall be referred to herein as the "Employment Period."

2.3 Early Termination by Company for Cause. The Company may terminate Executive's employment for Cause (as hereinafter defined) by giving Executive sixty (60) days' advance Notice of Termination (as hereinafter defined) in writing. For all purposes under this Agreement, the term "Cause" shall mean:

(i) Any willful gross misconduct by Executive that is materially adverse to the Company;

(ii) A willful violation of a federal or state law, rule or regulation by Executive applicable to the business of the Company that is materially adverse to the Company;

(iii) The conviction of Executive of, or entry by Executive of a guilty or no contest plea to, a felony; or

(iv) Any willful, material breach of material terms and provisions of this Agreement.

For purposes of this Section 2.3, no act or failure to act by Executive shall be considered "willful" unless committed in bad faith and without a reasonable belief that the act or omission was in the best interests of the Company.

Executive shall not be deemed terminated for Cause pursuant to this Section 2.3 unless the Executive has been given (a) written notice from the Board specifying the manner in which the Board believes Executive has violated this Section 2.3, (b) a reasonable opportunity (not less than fifteen (15) calendar days following receipt of such notice) to cure such event or condition (to the extent subject to cure), (c) an opportunity for Executive, together with Executive's counsel, to be heard before the Board, and (d) a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board finding that in the Board's good faith opinion Executive engaged in the conduct specified in such notice. No act or failure to act by Executive shall be considered Cause if Executive cures or remedies it by the end of the cure period referred to in clause (b). Any waiver of the notice required by this Section 2.3 shall be valid only if it is made by Executive in writing and expressly refers to the applicable notice requirement of this Section 2.3.

If the Company terminates this Agreement for Cause, the Company shall pay or provide Executive (x) the Accrued Obligations (as defined below) in a lump sum in cash within thirty (30) days after the Date of Termination (as defined in Section 2.9), and (y) directors' and officers' liability insurance, as provided in Section 11.1.1(iv).

"Accrued Obligations" shall mean the sum of (A) the Executive's Base Salary through the Date of Termination to the extent not theretofore paid, (B) the amount of any bonus, incentive compensation, deferred compensation and other cash compensation payable to the Executive as of the Date of Termination and not theretofore paid, and other unpaid amounts or benefits due under Company

compensation, incentive, severance and benefit plans, and (C) any vacation pay, expense reimbursements and other cash entitlements payable to the Executive to the extent not theretofore paid. Executive's rights under the severance and benefit plans of the Company shall be determined under the provisions of those plans. An amount shall be deemed payable if the Executive has provided the services for which the payment is being made, ignoring any service required following the end of the period to which the payment relates through the date of payment (therefore, for example, if the Executive terminates in the second month of a bonus period, before the bonus for the prior year is paid, the Executive would be entitled to the prior year's bonus and a pro-rated portion of the current year's bonus). Whenever Accrued Obligations are payable under this Agreement, they shall be paid in a lump sum in cash within thirty (30) days after the Date of Termination except as follows: If the time for payment (but for termination) is more than 1 year hence, the payment will be made when due without regard to termination. Payments will not be accelerated to the extent that would violate Internal Revenue Code Section 409A or any other Internal Revenue Code provision. If the program permits Executive to determine the time of payment following termination of employment, Executive shall determine the time of payment in accordance with the program's terms. If the benefit is an expense reimbursement, group insurance, or an in kind benefit it will be provided in accordance with its terms, except as provided in Section 6.3. If the law establishes the time for payment (e.g., unpaid wages or vacation pay), the payment shall be made as required by law.

2.4 Early Termination by Company without Cause. The Company may terminate Executive's employment prior to the end of the Employment Period for any reason other than for Cause only by giving Executive sixty (60) days' advance Notice of Termination in writing. Any waiver of notice shall be valid only if it is made in writing and expressly refers to the applicable notice requirement of this Section 2.4. If the Company terminates Executive's employment prior to the end of the Employment Period pursuant to this Section 2.4 for any reason other than Cause, death or Disability (as defined in Section 2.5), then the Company shall pay Executive (A) the Accrued Obligations, (B) the payments and benefits set forth in Section 11.1.1 below (subject to the terms and conditions of said Section), and Executive's rights under the benefit plans shall be determined under the provisions of those plans, and (C) to the extent not included in (B), a Bonus equal to the Target Amount for the fiscal year of termination in a lump sum in cash within thirty (30) days after the Date of Termination.

2.5 Early Termination on Account of Death or Disability. If Executive's employment is terminated by his Disability or death, the Company shall pay Executive or his Beneficiary (as defined in Section 15) the Accrued Obligations (which includes the unpaid Bonus for a completed fiscal year of service), and Executive (or his Beneficiary with respect to Executive) and shall remain protected by directors' and officers' liability insurance as provided in Section 11.1.1(iv). The Company also shall pay Executive or, if he has died, his Beneficiary a Bonus equal to the Target Amount for the fiscal year of termination in a lump sum in cash within thirty (30) days after the Date of Termination. Executive's right in the event of a Disability and the rights of the Beneficiary in the event of Executive's death under the benefit plans shall be determined under the provisions of those plans. For all purposes under this Agreement, the term "Disability" shall mean a physical or mental illness, injury, or condition that prevents Executive from performing substantially all of his duties under this Agreement for at least 120 consecutive calendar days or 180 nonconsecutive calendar days in any twelve (12) month period.

2.6 Early Termination by Executive for Good Reason. Executive may voluntarily elect to resign his employment with the Company prior to the end of the Employment Period for Good Reason (as hereinafter defined) upon giving the Company sixty (60) days' advance written Notice of Termination, specifying the Good Reason events for which Executive is resigning. No event shall constitute Good Reason if it is curable and the Company cures it within fifteen (15) calendar days following receipt of such notice. Executive's continued employment for up to two years following an event that constitutes Good Reason will not be deemed to be his consent to that event or his waiver of his right to resign because of it under this section; thereafter, the event shall cease to be Good Reason.

If Executive terminates his employment for Good Reason, the Company shall pay or provide Executive the payments, benefits, acceleration of vesting, etc., he would have received under Section 2.4, and at the same time, had he been terminated by the Company without Cause.

For all purposes of this Agreement, the term "Good Reason" means the occurrence, announcement, or notification to Executive of, any one or more of the following events, excluding any event to which the Executive has consented in advance in writing specifically referencing this section of this Agreement:

(i) Any material diminution or adverse alteration of, or assignment to Executive of duties inconsistent in any material respect with, Executive's position in the Company (which shall include status, offices, titles, authority, duties or reporting relationships) or the terms and conditions of employment, in each case, as contemplated by this Agreement and including by virtue of the Company's ceasing to be a publicly traded corporation or becoming a subsidiary of another company;

(ii) Any reduction in the Base Salary then payable to, or bonus opportunity then available to, Executive or a failure by the Company to pay any such amounts when due;

(iii) A reduction in the kind or level of employee benefits to which Executive is then entitled, with the result that Executive's overall benefits package is materially reduced, or the Company's failure to continue in effect compensation and employee benefits which are substantially similar to the benefits provided to Executive under the Company's regular compensation and benefit plans and practices in effect as of the date of this Agreement, or the Company's failure to continue Executive's participation therein on a basis not materially less favorable, both in terms of the amount of benefits provided and Executive's level of participation relative to other participants, as existed as of the date of this Agreement;

(iv) A workplace relocation that increases Executive's regular commuting distance by more than forty (40) miles;

(v) Any purported termination by the Company of Executive's employment which is not effected for death, Disability or for Cause, or any purported termination by the Company of Executive's employment otherwise than expressly permitted by this Agreement;

(vi) Any material failure by the Company to comply with any provision of this Agreement applicable to it, including without limitation, the failure by the Company to comply with any of the provisions of Sections 4 or 5 or the failure of the Company to obtain the assumption of this Agreement by its successor as required by Section 14 hereof;

(vii) The Company's breach of this Agreement or any other agreement with Executive, including without limitation, the Company's failure to provide Executive any employee benefits to which he is due, to satisfy its Section 24 indemnification obligations, or its breach of any stock option, restricted stock, or other agreements pursuant to which the options or any other equity securities were issued by the Company to Executive; or

(viii) Failure by the Company to elect Executive to the position of sole Chairman of the Board of Directors, as contemplated in Section 1 hereof.

2.7 Early Termination by Executive for Other than Good Reason. Executive may voluntarily elect to resign his employment with the Company prior to the end of the Employment Period for any reason upon sixty (60) days advance Notice of Termination, and such termination shall not be, nor shall it be deemed to be, a breach of this Agreement. Upon such termination, the Company shall pay or provide Executive (a) the Accrued Obligations, (b) directors' and officers' liability insurance as provided in Section 11.1.1(iv), and (c) a Bonus equal to the Target Amount for the fiscal year of termination prorated for the number of calendar days that Executive was employed during the fiscal year to be paid within thirty (30) days after the Date of Termination. Executive's rights under the benefit plans of the Company shall be determined under the provisions of those plans.

2.8 Notice of Termination. Any purported termination of Executive's employment by the Company or by Executive (other than termination due to Executive's death, which shall terminate Executive's employment automatically) shall be communicated by a Notice of Termination to the other party hereto in accordance with Section 16. For purposes of this Agreement, "Notice of Termination" shall mean a written notice that shall indicate the specific termination provision in this Agreement (if any) relied upon and, if applicable, shall set forth in reasonable detail the facts and circumstances claimed to provide the basis for such termination under the provision so indicated.

2.9 Date of Termination. For purposes of this Agreement, "Date of Termination" shall mean (a) if Executive's employment is terminated due to Executive's death, the date of such death; (b) if Executive's employment is terminated for Disability, thirty (30) days after Notice of Termination is given (provided Executive shall not have returned to the full time performance of Executive's duties during such thirty (30) day period), and (c) if Executive's employment is terminated for any reason other than death or Disability, the date specified in the Notice of Termination, which shall not be less than sixty (60) days from the date of such Notice of Termination is given. In no event shall Executive's Date of Termination precede the date of his "separation from service" as defined in Treas. Reg. § 1.409A-1(h), without regard to the 29-month option in § 1.409A-1(h)(1)(i) or the greater-than-20% option in § 1.409A-1(h)(1)(ii), and using the 80% option in § 1.409A-1(h)(3).

3. Place of Employment. The principal place of employment of Executive shall be at the Company's executive offices in San Diego County, California.

4. Base Salary. During the Employment Period the Company shall pay Executive a base salary at an annual rate of not less than Four Hundred Sixty Two Thousand Dollars ($462,000) (the "Base Salary"). The Base Salary shall be paid in periodic installments in accordance with the Company's regular payroll practices, subject to all applicable taxes and withholding. The Compensation Committee of the Board of the Company (the "Committee") shall review the Base Salary as soon as practicable after the end of each fiscal year during the Employment Period, beginning with the fiscal year ending on December 31, 2007. Based on such reviews, the Committee may increase, but shall not decrease, the Base Salary.

5. Bonus and Long-Term Incentives.

5.1 Annual Bonus. For each fiscal year of the Company ending on or after December 31, 2007 during the Employment Period, Executive shall be eligible to receive an annual bonus (the "Bonus") of at least one-hundred percent (100%) of Executive's then Base Salary (the "Target Amount") if reasonable operational criteria and other organizational milestones ("Targets") are satisfied. Targets may be aggressive, but they must be attainable. The Board shall designate a director to meet with Executive to recommend Targets to the Board. The Board or its Committee shall take those recommendations into account and adopt Targets within a reasonable number of days (but no later than forty-five (45) days) prior the fiscal year to which they apply. For fiscal year 2007, the targets shall be those set forth in the Senior Management Bonus Targets for that year and all performance goals shall be deemed to have been achieved at least at Target for the first 3/4 of fiscal year 2007. The Board may elect to pay Executive more than the Target Amount Bonus and may pay the Executive additional bonuses.

5.2 Payment. The Bonus payable hereunder shall be payable in a single cash payment no later than thirty (30) days following the date (the "Delivery Date") audited financial statements for the fiscal year to which such Bonus relates are delivered to the Board, or as otherwise agreed by Executive and the Board or, if earlier, by the sixty-fifth (65th day after the end of the calendar year in which the fiscal year ends. Any other bonus payable hereunder shall, unless otherwise specified pursuant to Section 5.3 below, be payable at such time as the Board shall determine, but any such bonus that is subject to Internal Revenue Code Section 409A shall be paid at a time and in a manner that complies with that section.

5.3 Deferral. Executive may elect to defer Base Salary, Bonus, or other amounts as permitted under the Company's benefit plans.

5.4 Annual Grant of Restricted Stock Units. On the Effective Date, the Company will grant Executive 150,000 restricted stock units convertible into shares of Company common stock under the Company's 2000 Stock Incentive Plan (the "2000 Plan"), and except as provided in this Agreement such grant will be governed by the terms of the 2000 Plan (the "Restricted Stock") and any other agreements between Executive and the Company and the applicable restricted stock unit qualifiers set forth in the Senior Management Bonus Targets for 2007. Subject to such qualifires, the Restricted Stock will be scheduled to vest in accordance with the following schedule: 50,000 on January 5, 2008, 50,000 on January 5, 2009 and 50,000 on January 5,

2010. The Committee shall, at the beginning of 2008 and subsequent calendar years, make annual grants to Executive of restricted stock, restricted stock units, or similar awards with respect to shares of Company stock. Such grants shall be made at the same time during the calendar year as grants generally are made to senior executives of the Company. Such annual grants shall be consistent with competitive pay practices generally and appropriate relative to awards made to other senior executives of the Company. It shall not be a violation of this section if the award otherwise required under it is reduced and the award otherwise required under Section 5.5 is increased to make up for the reduction in value of the Section 5.4 award, and Executive consents to that transfer of value.

5.5 Annual Grant of Stock Options. The Committee shall, at the beginning of 2008 and subsequent calendar years, make annual grants to Executive of ten-year options with respect to shares of Company stock, with such grants to be made at the same time during the calendar year as grants are generally made to senior executives of the Company and such options shall vest according to the terms set forth in the grant agreement as long as the Executive remains in Service in any capacity with the Company, such as while he is either the Company's Executive Chairman, a member of its Board of Directors, its employee, a director or employee of any Company affiliate or serving in any other similar capacity. . Such annual grants shall be consistent with competitive pay practices generally and appropriate relative to awards made to other senior executives of the Company. It shall not be a violation of this section if the award otherwise required under it is reduced and the award otherwise required under Section 5.4 is increased to make up for the reduction in value of the Section 5.5 award, and Executive consents to that transfer of value

5.6 Long-Term Incentives. To the extent not provided under Sections 5.4 and 5.5, the Executive will be eligible to receive grants of equity-based awards and other incentive awards under the Company's applicable incentive plans and programs as determined by the Board or the Committee, in accordance with the Company's ordinary practices, on similar terms and conditions as apply to other senior executives generally.

6. Expenses.

6.1 Legal Expenses. The Company shall promptly pay on Executive's behalf all reasonable legal and other professional fees incurred by Executive in connection with the negotiation and completion of this Agreement (and a fully tax-grossed up basis to the extent, if any, that Executive is taxed on those payments); *provided, however*, that Executive shall properly account for such expenses in accordance with the policies and procedures of the Company. The Company shall pay all reasonable legal fees Executive incurs in connection with (a) the performance of his duties for the Company, or (b) determining or enforcing his rights under this Agreement.

6.2 Ordinary Expenses. The Company shall promptly reimburse Executive travel, entertainment, and other expenses and disbursements reasonably incurred by Executive during the Employment Period (in accordance with the policies and procedures established for senior executive officers of the Company) in the performance of his duties and responsibilities for the Company under this Agreement; *provided*, *however*, that Executive shall properly account for such expenses in accordance with the policies and procedures of the Company.

7. Employee Benefit Plans. During the Employment Period, Executive shall be entitled to participate in all employee benefit plans or programs of the Company, if any, on the same basis as other senior executives of the Company, to the extent that his position, tenure, salary, age, health and other qualifications make him eligible to participate, subject to the terms, conditions, rules and regulations applicable thereto. Executive will also receive perquisites on at least the same level as the Company's other senior executive officers.

8. Life Insurance. The Company shall provide Executive with a One Million Dollar ($1,000,000) executive term life insurance policy. The beneficiary of such policy shall be named by Executive. Upon the termination of Executive's employment with the Company for any reason, the Company shall, upon Executive's request, assign such a life insurance to Executive, with Executive to fully assume the obligation to maintain such life insurance after the end of the Employment Period.

9. Vacations and Holidays. Each calendar year Executive shall be entitled to an aggregate of five (5) weeks' paid vacation, pro-rated for any period which is less than one (1) calendar year, plus holidays in accordance with the Company's policies, as amended from time to time, for senior executive officers. Vacation time shall accrue during each calendar year and, upon termination of this Agreement for any reason and in addition to any other rights granted Executive under this Agreement, Executive shall be entitled to be paid an amount based upon his salary at the rate applicable immediately prior to such termination for any accrued but unused vacation time.

10. Other Activities. Executive may devote a reasonable amount of his time (a) to civic, community, or charitable activities or any governmental entity, (b) to serve as a director of no more than two (2) other business enterprises, (c) making and managing personal business investments, or (d) as otherwise authorized by the Committee. Activities authorized by clauses (a) and (b) must not materially interfere with the Executive's obligation to devote substantially all of his business time and effort to the business of the Company. Activities authorized by clauses (c) and (d) are not expected to raise such issues and, therefore, are not subject to the limitations of the previous sentence.

11. Termination Benefits. In addition to anything else to which Executive is entitled under this Agreement, in the event Executive's employment terminates prior to the end of the Employment Period, then Executive shall be entitled to receive severance and other benefits as follows:

11.1 Severance.

11.1.1 Termination without Cause or Resignation for Good Reason. If the Company terminates Executive's employment other than for Cause, or if Executive terminates his employment for Good Reason, Executive shall be entitled to the Accrued Obligations and to the benefits provided below:

(i) The Company shall pay Executive an amount equal to two (2) times the sum of the following: (i) his annual Base Salary, as adjusted pursuant to Section 4, and (ii) a Bonus equal to the greater of (A) the amount of the Bonus Executive would have earned during the fiscal year of termination had this Agreement not been terminated early,

which shall not be less than the Target Amount for that fiscal year, and (B) an amount equal to his Base Salary multiplied by the average percentage bonus (calculated as a percentage of their respective maximum bonus targets) of the next three most senior officers of the Company. The amounts set forth in this Section 11.1.1 shall be payable in twelve (12) equal monthly installments starting within thirty (30) days after the Date of Termination, but with all remaining amounts being paid no later than 65 days after the later the end of the calendar year or the Company fiscal year in which the Date of Termination occurs.

(ii) The Company shall provide Executive with outplacement services for a period not to exceed one (1) year at an aggregate cost to the Company not to exceed $20,000, the scope of which shall be selected by Executive in his sole discretion and the provider of which shall be selected by Executive from among the providers offered to Executive by the Company; *provided*, *however*, that if the outplacement services would be subject to Code Section 409A, Executive shall pay for such services during the first six (6) months following the Date of Termination, with the Company promptly reimbursing Executive within fifteen (15) days after the seven month anniversary of the Date of Termination for all outplacement service expenses theretofore incurred by Executive, and the balance of the payments being made directly by the Company until the first anniversary of the Date of Termination.

(iii) For the twenty-four (24)-month period beginning on the Date of Termination (the "Coverage Period"), the Company shall pay for and provide Executive and his dependents with the same medical, vision, and dental benefits coverage under the Company's benefit plans to which Executive would have been entitled had Executive remained continuously employed by the Company during the Coverage Period (except that Executive shall not be obligated to make any contributions he would have had to make had he remained an employee). In the event that Executive is ineligible under the terms of the Company's benefit plans to continue to be so covered, the Company shall provide Executive with substantially equivalent coverage through other sources. At the end of the Coverage Period, Executive and his dependents shall be entitled to continuation coverage (or its equivalent) under COBRA and under any other applicable law, to the extent required by such laws, as if Executive had terminated employment at the end of the Coverage Period.

(iv) Until the expiration of all applicable statutes of limitation, the Company shall provide the Executive with indemnification and directors' and officers' liability insurance insuring Executive against insurable events which occur or have occurred while Executive was a director or officer of the Company, such insurance to have policy limits aggregating not less than the amount in effect immediately prior to the Date of Termination and such indemnification and insurance otherwise to be on terms and conditions that are at least as generous as that then provided to any other current or former director or executive officer of the Company, *provided*, *however*, that such terms, conditions and exceptions shall not be, in the aggregate, materially less favorable to Executive than those in effect on the date hereof.

(v) Notwithstanding anything to the contrary in any equity plan, award agreement, other similar arrangement, or any other agreement to which the Company is a party, all of Executive's restricted stock, options, or other equity awards (whether outstanding as of the Effective Date of this Agreement or subsequently issued) will immediately,

fully and automatically vest and shall be exercisable in full, all restrictions will lapse and immediately terminate and, if applicable, will remain exercisable until the earlier of the expiration of their maximum original term at the time of grant or the tenth anniversary of grant.

11.1.2 Change in Control. Notwithstanding any other provision of this Agreement, in the event that (1) Executive terminates his Company employment for any reason within twelve (12) months following a Change in Control, or (2) Executive is terminated without Cause within six (6) months prior to a Change in Control, then in each case, to the extent the Company has not already paid or provided them, the Company shall pay the Executive an amount equal to three (3) times the Executive's Base Salary and Bonus pursuant to Section 11.1.1(i), and Executive shall receive all other Section 11.1 payments or benefits except that the Coverage Period during which the Company shall pay the benefits under Section 11.1.1(iii) shall be three (3) years. In addition, whether Executive terminates employment with the Company or not, all of Executive's restricted stock, options, and other equity awards (whether outstanding as of the Effective Date of this Agreement or subsequently issued) will immediately, fully and automatically vest and be exercisable in full, all restrictions will laps and immediately terminate, and such restricted stock, options and other equity awards shall remain exercisable as if he were terminated without Cause under Section 2.4 and the date of the Change in Control were his Date of Termination. For purposes of this Agreement, "Change in Control" means the occurrence of any of the following (determined in accordance with the rules prescribed by Treas. Reg. § 1.409A-3(i)(5) and only if it satisfies the requirements set forth in that section):

(i) The consummation of a merger, consolidation, business combination or similar transaction, of the Company with or into another entity or any other corporate reorganization, or any other similar transaction, if more than 50% of the combined voting power of the continuing or surviving entity's securities outstanding immediately after such merger, consolidation or other reorganization or transaction is owned by persons who were not stockholders of the Company immediately prior to such merger, consolidation or other reorganization or transaction;

(ii) The sale, transfer or other disposition of all or substantially all of the Company's business, property or assets;

(iii) A change in the composition of the Board, as a result of which fewer than one-half of the incumbent directors are directors who either (A) had been directors of the Company on the date twelve (12) months prior to the date of the event that may constitute a Change in Control (the "original directors") or (B) were elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the aggregate of the original directors who were still in office at the time of the election or nomination of the directors whose election or nomination was previously so approved;

(iv) Any "person" (as defined in Section 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), excluding for this purpose, (i) the Company or any subsidiary of the Company, or (ii) any employee benefit plan of the Company or any subsidiary of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) , directly or indirectly, of securities of the Company representing at least 30% of the total voting power represented by the Company's then outstanding securities; or

(v) A liquidation or dissolution of the Company.

11.2 No Duty to Mitigate. Executive shall not be required to mitigate the amount of any payment contemplated by this Agreement (whether by seeking new employment or in any other manner). Any severance benefits payable to Executive shall not be subject to reduction for any compensation received from other employment.

11.3 Non-Renewal of Employment Period.

(i) If the Company does not offer to renew the Agreement as provided in Section 2.2, this Agreement and Executive's employment shall terminate at the end of the Employment Term. That termination will be treated as a termination without Cause, and Executive will be entitled to the payments and benefits prescribed in Section 2.4 or, if the Employment Term ends during the change-in-control protection period set forth in Section 11.1.2, the payments and benefits prescribed in Section 11.1.2.

(ii) If the Company offers to renew the Agreement as provided in Section 2.2, but Executive declines to renew it, this Agreement and Executive's employment shall terminate at the end of the Employment Term. That termination will be treated as a resignation without Good Reason, and Executive will be entitled to the payments and benefits prescribed in Section 2.7 or, if the Employment Term ends during the change-in-control protection period set forth in Section 11.1.2, the payments and benefits prescribed in Section 11.1.2.

12. [Reserved].

13. Right to Advice of Counsel. Executive acknowledges that he has consulted with counsel and is fully aware of his rights and obligations under this Agreement. Executive acknowledges that the payments and other matters provided in this Agreement have tax consequences, that the Company (or its counsel) has not provided any tax advice to Executive, and that Executive is solely responsible for consulting with an accountant, legal counsel, or other tax advisor regarding the tax consequences of this Agreement.

14. Successors. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of its business, equity and/or assets, by agreement in form and substance reasonably satisfactory to Executive, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. Regardless of whether such an agreement is executed, this Agreement shall be binding upon any successor of the Company in accordance with the operation of law, and such successor shall be deemed the "Company" for purposes of this Agreement. The term "Company" as used in this Agreement shall mean the Company as defined in this Agreement and any successor to its business, equity and/or assets. The Company shall remain secondarily liable if any successor fails to satisfy its obligations to the Executive under this Agreement.

15. Assignment. This Agreement and all rights under this Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective personal or legal representatives, executors, administrators, heirs, distributees, devisees, legatees, successors and assigns. This Agreement is personal in nature, and neither of the parties to this Agreement shall, without the written consent of the other party, assign or transfer this Agreement or any one or more of its rights or obligations under this Agreement to any other person or entity, except that the Company may assign or transfer this Agreement to any successor entity as provided in Section 14; provided, that such assignment shall not relieve the assigning party of its obligations hereunder. If Executive should die while any amounts are still payable, or any benefits are still required to be provided to Executive hereunder, all such amounts or benefits, unless otherwise provided herein, shall be paid or provided in accordance with the terms of this Agreement to Executive's devisee, legatee, or other designee as provided for in a written notice to the Company or, if there by no such designee on file with the Company, to Executive's estate (in each case, a "Beneficiary").

16. Notices. For purposes of this Agreement, notices and other communications provided for in this Agreement shall be in writing and shall be delivered personally or sent by United States certified mail, return receipt requested, postage prepaid, addressed as follows:

If to Executive:	Peter V. Leparulo, at his most recent address set forth in Company records
If to the Company:	Novatel Wireless, Inc. 9645 Scranton Road, Suite 205 San Diego, California 92121-1764 Attention: General Counsel

or to such other address or the attention of such other persons as the recipient party has previously furnished to the other parties in writing in accordance with this Section. Such notices or other communications shall be effective upon delivery or, if earlier, three (3) days after they have been mailed as provided above.

17. Integration. This Agreement represents the entire agreement and understanding among the parties as to the subject matter hereof. If a conflict exists between a provision of this Agreement and any other agreement, the provision more favorable to the Executive shall be controlling. No waiver, alteration, amendment or modification of any of the provisions of this Agreement shall be binding unless in writing and signed by the parties hereto or their respective successors and duly authorized representatives. Nothing in this Agreement shall limit or otherwise adversely affect any rights which Executive may have under applicable law, any other agreement with the Company, or any compensation or benefit plan, program, policy or practice of the Company.

18. Waiver. Failure or delay on the part of either party hereto to enforce any right, power, or privilege hereunder shall not be deemed to constitute a waiver hereof. Additionally, a waiver by either party or a breach of any promise hereof by the other party shall not operate as or be construed to constitute a waiver of any subsequent breach or promise by such other party.

19. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

20. Headings. The headings of the paragraphs contained in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation of any provision of this Agreement.

21. Applicable Laws. This Agreement shall be governed by and construed in accordance with the internal substantive laws, and not the choice of law rules, of the State of California.

22. Counterparts. This Agreement may be executed in one or more counterparts, none of which need contain the signature of more than one party hereto, each of which shall be deemed to be an original, and all of which together shall constitute a single agreement. To the maximum extent permitted by law or by any applicable governmental authority, this Agreement may be signed and transmitted by facsimile with the same validity as if it were an ink-signed document.

23. Indemnification. The Company shall indemnify Executive against liability as an officer and director of the Company and any subsidiary or affiliate of the Company to the fullest extent allowed by applicable law during the Employment Period and until the expiration of all applicable statutes of limitation and so long as Executive may be subject to such liability, whether or not this Agreement may have been terminated prior thereto. In addition, the Company shall maintain for the benefit of Executive, officer and director liability insurance, in form at least as comprehensive as, and in an amount that is at least equal to, that maintained by the Company on the Effective Date, which Company agrees to obtain and keep in effect throughout the Employment Period and until the expiration of all applicable statutes of limitation and so long as Executive may be subject to such liability, whether or not this Agreement may have been terminated prior thereto. Such indemnification and insurance shall be on terms and conditions that are at least as generous as that provided to any other current or former director or executive officer of the Company.

24. Section 280G. If it is determined that any payment or distribution of any type to or for the benefit of Executive by the Company, any of its affiliates, any person who acquires ownership or effective control of the Company or ownership of a substantial portion of the Company's assets (within the meaning of Code Section 280G and the regulations thereunder) or any affiliate of such person, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, including, without limitation, any equity plan or award agreement (the "Payments"), would be subject to the excise tax imposed by section 4999 of the Code or any interest or penalties with respect to such excise tax (such excise tax, together with any such interest or penalties,

are collectively referred to as the "Excise Tax"), then Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

The determination of whether the Payments are subject to an Excise Tax and, if so, the amount to be paid by the Company to Executive and the time of payment pursuant to this Section 26 shall be made by an independent auditor (the "Auditor") jointly selected by the parties, which shall provide detailed supporting calculations both to the Company and Executive within fifteen (15) days of the receipt of notice from Executive that there has been a Payment. Unless Executive agrees otherwise in writing, the Auditor shall be a nationally recognized United States public accounting firm that has not, during the two (2) years preceding the date of its selection, acted in any way on behalf of the Company or any of its affiliates. If the parties cannot agree on the firm to serve as the Auditor, then the parties shall each select one accounting firm and those two firms shall jointly select the accounting firm to serve as the Auditor.

Any Gross-Up Payment, as determined pursuant to this Section 26, shall be paid by the Company to Executive within five (5) days of the receipt of the Auditor's determination. All fees and expenses of the Auditor shall be borne solely by the Company. If, at a later date, it is determined (pursuant to final regulations or published rulings of the Internal Revenue Service, final judgment of a court of competent jurisdiction, or otherwise) that the amount of Excise Tax payable to Executive is greater than the amount initially so determined, then the Company (or its successor) shall pay to Executive a Gross-Up Payment with respect to such Excise Tax and any interest, fines and penalties resulting from such underpayment.

25. Arbitration. Any dispute arising under or in connection with this Agreement shall be resolved exclusively by arbitration (except as otherwise provided herein). The arbitration will be conducted by an impartial arbitrator experienced in employment law (selected from either the JAMS or AAA (at Executive's election) panel or arbitrators) in accordance with the applicable entity's then current employment arbitration rules (except as otherwise provided in the Agreement). The arbitration shall take place in San Diego, California. Executive and the Company each waive the right to institute a court action. Executive and the Company understand that each is giving up his and its right to a jury trial. The Arbitrator's award and opinion shall be in writing and in the form typically rendered in labor and employment arbitrations. Any such award shall be deemed final and binding and may be entered in any state or federal court of competent jurisdiction. The Company shall pay the fees associated with the arbitration, as provided in Section 23. This Section 27 does not prohibit either party from filing a claim with an administrative agency (e.g., the EEOC), nor does it apply to claims for workers' compensation or unemployment benefits, or claims for benefits under an employee welfare or pension plan that specifies a different dispute resolution procedure.

26. Representations of the Company. The Company represents and warrants that (i) the execution and delivery of this Agreement has been duly authorized by the Company, including action by the Board and Committee, (ii) the execution, delivery and performance of this Agreement by the Company does not and will not violate any law, regulation, order, judgment or decree or any agreement, plan or corporate governance document of the Company and (iii) upon the execution and delivery of this Agreement by Executive, this Agreement shall be the valid and binding obligation of the Company, enforceable in accordance with its terms.

27. Withholding. The Company shall be entitled to withhold from any payments or deemed payments any amount of tax withholding it determines to be required by law.

28. Code Section 409A Compliance.

(i) If, at the time of Executive's "separation from service" (within the meaning of Code Section 409A), Executive is a "specified employee" (within the meaning of Code Section 409A), the Company will not pay or provide any "Specified Benefits" (as defined herein) until after the end of the sixth calendar month beginning after Executive's separation from service (the "409A Suspension Period"). For purposes of this Agreement, "Specified Benefits" are any amounts or benefits that would be subject to Section 409A penalties if the Company were to pay or otherwise settle such amounts or benefits on account of Executive's separation from service in the manner prescribed by applicable plan, program, arrangement, or agreement terms. Within 14 calendar days after the end of the 409A Suspension Period, Executive shall be paid a lump sum payment in cash equal to any Specified Benefits delayed because of the preceding sentence, together with interest on suspended cash payments for the period of delay at a rate not less than the average prime interest rate published in the Wall Street Journal on any day chosen by the Company during that period. Thereafter, Executive shall receive any remaining payments or other benefits as if there had not been an earlier delay.

(ii) This Agreement is intended to conform to Section 409A of the Code, and the Company shall have complete discretion to interpret and construe this Agreement and any associated documents in any manner that establishes an exemption from or otherwise conforms them to the requirements of Section 409A. If, for any reason including imprecision in drafting, any Plan provision does not accurately reflect its intended establishment of an exemption from or compliance with Code Section 409A), as demonstrated by consistent interpretations or other evidence of intent (by the Company in its sole and absolute discretion), the provision shall be considered ambiguous and shall be interpreted by the Company in a fashion consistent herewith, as determined in the sole and absolute discretion of the Company. The Company reserves the right (including the right to delegate such right) to unilaterally amend this Agreement without the consent of Executive in order to accurately reflect its correct interpretation and operation, as well as to maintain an exclusion from the application of, or compliance with, Code Section 409A.

(iii) To the extent needed to comply with Internal Revenue Code Section 409A, expenses under Sections 6.1, 6.2, 24 or any other expense reimbursement provisions of this Agreement or with Executive, must be reimbursed no later than the end of the calendar year following the calendar year in which they were incurred, Executive must request reimbursement at least thirty (30) days before that deadline, and the right to reimbursement shall not be not subject to liquidation or exchange for another benefit.

(iv) If Executive incurs any tax acceleration, penalties, or interest because of a Section 409A violation, the Company shall pay those amounts and hold Executive harmless from the economic effect of tax acceleration, and shall pay all taxes and penalties on all such payments, unless the Company proposed a reasonable way of preventing the Section 409A violation and Executive refused to agree to it.

IN WITNESS WHEREOF, each of the parties has executed this Agreement as of the day and year first above written.

NOVATEL WIRELESS, INC.

By: /s/ Greg Lorenzetti
Name: Greg Lorenzetti
Title: Director

EXECUTIVE:

/s/ Peter. V. Leparulo
Peter V. Leparulo

Exhibit 10.2

Kenneth G. Leddon
Leddon & Associates
5329 E. Tisbury Court
Anaheim Hills, CA 92807

Peter Leparulo
Executive Chairman
Novatel Wireless, Inc.
9645 Scranton Road
San Diego, CA 92121

September 4, 2007

Re: Interim Financial Management Services Agreement

Dear Mr. Leparulo:

This letter of agreement (Agreement) will confirm that Novatel Wireless, Inc. (“Novatel”) has requested that Leddon & Associates (“Leddon”) provide management services as set forth below. This Agreement will describe our services and the terms and conditions under which they will be performed (the “Engagement”).

1. **Description of Services**. Leddon is engaged to provide management services and is retained to provide financial consulting services to Novatel. Leddon agrees that Kenneth G. Leddon will be the person designated to perform the services under this agreement.

2. **Duties and Authority**. Leddon is hereby retained to provide financial and accounting services in the Novatel accounting department and provide these services in consultation with Novatel. During the term of the Engagement, Leddon is not and shall not be deemed an officer or employee of Novatel but Leddon agrees to abide by the terms and conditions of the Novatel Insider Trading Policy, a copy of which has been provided to Leddon.

3. **Independent Contractor**. Novatel acknowledges and agrees that Leddon is an independent contractor of Novatel. It is expressly understood that nothing contained herein nor any of Leddon’s agents, representatives or employees’ actions taken hereunder shall be deemed to constitute an assumption by Leddon of Novatel’s obligations to Novatel’s employees, officers, directors, shareholders and/or creditors and Leddon shall not be entitled to any benefits, compensation or equity provided by Novatel to its’ employees or officers and Novatel shall have no liability for any tax withholdings or payments with respect to the fees and expenses paid to Leddon in connection with the Engagement.

Initials___________

Initials___________

4. **Term of Agreement**. Leddon expects this Engagement to be performed over a period of eight weeks or more. The term of this engagement shall begin on September 10, 2007 and shall continue for eight weeks (the "Initial Term"). Absent any other written agreement of the parties, the engagement shall terminate at the end of the Initial Term; provided however, that the engagement may be extended beyond the Initial Term by the written agreement of the parties. This engagement is subject to continuous review for the modification of priority of tasks, as well as additions or deletions as required and mutually agreed by Novatel and Leddon.

5. **Fees and Expenses**. Novatel shall pay Leddon a fixed fee of $30,000 per four week period plus all reasonable out of pocket expenses including travel, communication, meals and living expenses incurred in connection with the Engagement. Leddon will submit invoices semi-monthly for $15,000 for professional fees plus any out-of-pocket expenses for reimbursement, which will be due upon receipt.

6. **Failure to Pay Leddon**. Leddon shall not have any obligation, express or implied, to continue to provide services to Novatel in the event that Novatel fails to pay the Fees or Expenses as provided herein and Leddon shall have the right to immediately terminate this Agreement if such payments are not made. If Leddon continues to provide the services following Novatel's breach of its obligations to pay the Fees or Expenses as provided herein, Leddon shall not be deemed to have agreed to a modification of this Agreement or to have waived any of its rights herein.

7. **Scope of Services**. Leddon is hereby retained to provide interim financial consulting services to Novatel and shall report to the Executive Office of Novatel.

8. **Termination of Agreement**. Novatel or Leddon may terminate this Agreement effective upon no less than five days' advance written notice. Upon termination all outstanding fees and reimbursable expenses in accordance with paragraph 4 shall be due and payable immediately. If this engagement is terminated without good cause by Novatel before completion of the Initial Term, then Novatel shall pay Leddon a minimum engagement fee of $60,000 plus engagement expenses incurred by Leddon, less all fees and expenses previously paid by Novatel prior to termination date. Good cause shall mean Leddon's failure or unreasonable refusal to cooperate with Novatel's representatives or breach of this Agreement.

9. **Confidentiality**. Leddon agrees to treat as confidential (i) all proprietary information of Company submitted to Leddon as confidential; (ii) all proprietary information acquired by Leddon during the course of worked performed, however, Leddon will not be obligated to treat as confidential any information that is generally known, or becomes known, to the public or the industry or known to, or in possession of Leddon prior to its work on this Engagement. The confidentiality obligations of Leddon set forth in this section shall survive the expiration or earlier termination of this agreement

Initials____________

Initials____________

10. **Warrantees and Indemnification**. Leddon does not express or imply any warranties of its work nor predicts results of the Engagement. Leddon shall not be subject to any liability to Novatel or others for any act or omission relating to or arising out of services rendered under this agreement, unless Leddon's acts or omissions constitute willful malfeasance, bad faith, gross negligence or reckless disregard of obligations of this Agreement.

11. **Expiration of Offer**. If this Agreement is not executed within seven days from its issue date, Leddon reserves the right to amend or revoke the terms after such date.

12. **Notice**. Whenever it is provided herein that any notice, demand, request, consent, approval, declaration or other communication shall or may be given to or served upon any of the parties by another, or whenever any of the parties desires to give or serve upon another party any communication with respect to this Agreement, each such notice, demand, request, consent, approval, declaration or other communication shall be delivered (i) in person with receipt acknowledged, (ii) by facsimile, and that it is confirmed by sending, no later than one (1) business day following such transmission, a copy of such facsimile, by mail, postage prepaid or (iii) by mail, postage prepaid, addressed as follows:

(a) If to Leddon:

Kenneth G. Leddon
Leddon & Associates
5329 E. Tisbury Court
Anaheim Hills, CA 92807
Fax: (714) 921-6537

(b) If to Novatel:

Peter Leparulo
Executive Chairman
Novatel Wireless, Inc.
9645 Scranton Road
San Diego, CA 92121
Fax (858) 812-3402

Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

Initials___________

Initials___________

THE ATTACHED EXHIBIT “A” IS HEREBY MADE PART OF THIS AGREEMENT.

If you agree to the terms and conditions set forth above, please indicate your acceptance and approval by signing below and on the duplicate enclosed. Please return an executed copy to the undersigned.

I look forward to working with you on this important matter.

Yours truly,

/s/ Kenneth G. Leddon
Kenneth G. Leddon
Leddon & Associates

AGREED AND ACCEPTED:

Novatel Wireless, Inc.

By: /s/ Peter V. Leparulo
Name: Peter V. Leparulo
Title: Executive Chairman

Date: September 4, 2007

Initials___________

Initials___________

EXHIBIT "A"

Scope of Services. The list of services performed and work product to be provided by Leddon to Novatel is as follows:

Kenneth G. Leddon to provide financial consulting services within the Novatel Accounting department

1) Kenneth G. Leddon to supervise employees and professionals employed by Novatel and organize and coordinate their activities as directed by the Executive Chairman of the Board.

Initials___________

Initials___________

Kenneth G. Leddon
5329 E. Tisbury Court
Anaheim Hills, CA 92807

November 2, 2007

Extension of Interim Financial Management Services Agreement

Dear Mr. Leddon:

Reference is made to that Interim Financial Management Services Agreement, dated September 4, 2007, by and between Novatel Wireless, Inc. ("Novatel") and Leddon & Associates (the "Agreement"). The parties to the Agreement desire to extend the term of the Agreement for an additional 4 week period. Accordingly, paragraph 4 of the Agreement is amended to add the following sentence as the new third sentence of such paragraph: "The parties agree that the Engagement shall continue for an additional 4 week period beginning on November 3, 2007 ("Extension Term")."

Except as specifically amended above the terms and conditions of the Agreement are unchanged.

If you agree to the terms and conditions set forth above, please indicate your acceptance and approval by signing below and on the duplicate enclosed. Please return an executed copy to the undersigned.

I look forward to working with you on this important matter.

Yours truly,

/s/ Peter V. Leparulo
Peter V. Leparulo
Executive Chairman
Novatel Wireless, Inc.

AGREED AND ACCEPTED:

Leddon & Associates

/s/ Ken Leddon
November 2, 2007

Initials ________
Initials ________

Exhibit 31.1

Section 302 Certifications

CERTIFICATIONS

Each of the undersigned, in his capacity as the principal executive officer and principal financial and accounting officer of Novatel Wireless Inc., as the case may be, provides the following certifications required by 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of The Sarbanes-Oxley Act of 2002, and 17 C.F.R. § 240.13a-14.

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

I, Brad Weinert, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 third fiscal quarter in the case of this 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/ BRAD WEINERT

Brad Weinert
President
(principal executive officer)

Dated: November 9, 2007

Exhibit 31.2

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

I, Shawn Swaney, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 third fiscal quarter in the case of this 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/ SHAWN SWANEY

Shawn Swaney
Corporate Controller
(principal financial and accounting officer)

Dated: November 9, 2007

Exhibit 32.1

CERTIFICATIONS

Each of the undersigned, in his capacity as the principal executive officer and principal financial and accounting officer of Novatel Wireless, Inc. (the “Company”), as the case may be, 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. §1350), that, to the best of his knowledge:

1. This Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2007 fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and

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

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission (“SEC”) or its staff upon request.

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the SEC and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act (whether made before or after the date of this Quarterly Report), irrespective of any general incorporation language contained in such filing.

IN WITNESS WHEREOF, the undersigned have set their hands hereto as of the 9th day of November, 2007.

/S/ BRAD WEINERT

Brad Weinert
President
(principal executive officer)

/S/ SHAWN SWANEY

Shawn Swaney
Corporate Controller
(principal financial and accounting officer)