NextWave Wireless Inc.
Form POS AM
April 23, 2007

As filed with the Securities and Exchange Commission on April 23, 2007

Registration No. 333-139440

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Post-Effective Amendment #1
to
FORM S-1
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

NextWave Wireless Inc.
(Exact name of registrant as specified in its charter)

Delaware	**3663**	**20-5361360**
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

12670 High Bluff Drive
San Diego, California 92130
(858) 480-3100
(Address, including zip code, and telephone number, including area code, of registrant’s principal executive offices)

Frank A. Cassou
Executive Vice President - Corporate Development and Chief Legal Counsel
NextWave Wireless Inc.
12670 High Bluff Drive
San Diego, California 92130
(858) 480-3100
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:
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New York, New York 10153
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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

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

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

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

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

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

This Post-Effective Amendment #1 to Form S-1 shall become effective in accordance with Section 8(c) of the Securities Act of 1933, as amended, on such date as the Commission, acting pursuant to said Section 8(c), may determine.

EXPLANATORY NOTE

On March 23, 2007, NextWave Wireless Inc. (the "Company" or "we") announced that our unaudited financial statements for the quarterly periods ended April 1, 2006, July 1, 2006 and September 30, 2006 should no longer be relied upon as a result of required corrections in revenue recognition under certain software contracts of our PacketVideo Corporation ("PacketVideo") subsidiary and in the deferral of certain engineering costs at PacketVideo. More specifically, we determined that we were incorrectly deferring engineering design, maintenance and support and royalty revenues on contracts where post-contract customer support ("PCS") was required and no separate objective evidence of its fair value, specific to PacketVideo, existed for the PCS. We also determined that we had incorrectly deferred certain technology costs prior to achieving technological feasibility. The change has been made to defer revenue and related costs determined to be related to the PCS portion of the contract and to expense previously capitalized engineering costs. These required corrections were reflected in the financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 30, 2006 (the "2006 10-K") filed with the United States Securities and Exchange Commission on March 30, 2007. In addition, our 2006 10-K included corrected interim unaudited condensed consolidated financial statements for the first three quarters of 2006, together with restatement adjustments, in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Restatement of Previously Reported Interim Financial Statements".

Additionally, we determined that there was a material weakness in our internal control over financial reporting relating to revenue recognition pursuant to software contracts of PacketVideo. The Company's failure to correctly apply software revenue recognition principles resulted from a lack of a sufficient number of employees with appropriate levels of knowledge, expertise and training in the application of generally accepted accounting principles relevant to software revenue recognition. We will be required to provide an assessment of the effectiveness of the Company's internal control structure and procedures for financial reporting when the Company files its Annual Report on Form 10-K for the fiscal year ended December 29, 2007. Management has commenced action to remediate the material weakness described above, including an evaluation of the accounting management staff, systems and policies relating to revenue recognition at PacketVideo and has initiated a management review of sales contracts.

This Post Effective Amendment No. 1 to Registration Statement amends the Registration Statement on Form S-1 (File No. 333-139440) (the "Original Registration Statement"), which was filed by NextWave Wireless Inc. (the "Company") on December 18, 2006. The Original Registration Statement, as amended by this Post-Effective Amendment No. 1, is referred to herein as the "Registration Statement." The Original Registration Statement registered for resale an aggregate of 4,109,470 shares of the Company's common stock issued, or issuable upon the exercise of warrants that were sold, to the investors identified in the accompanying prospectus, and the applicable filing fee was paid at the time that the Original Registration Statement was filed. This Post-Effective Amendment No. 1 relates to shares of common stock included in the Original Registration Statement, which have not been sold as of the date hereof, and is being filed to reflect the restatement described above and in our 2006 10-K.

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

Subject to Completion, Dated April 23, 2007

PROSPECTUS

4,109,470 Shares

Common Stock
par value $0.001 per share

This prospectus relates solely to the resale of up to an aggregate of 4,109,470 shares of common stock of NextWave Wireless Inc. ("NextWave" or the "Company") by the selling stockholders identified in this prospectus. These shares include the shares of our common stock issued, or issuable upon the exercise of warrants that were sold, to the investors identified in this prospectus.

The selling stockholders identified in this prospectus (which term as used herein includes their pledgees, donees, transferees or other successors-in-interest) may offer the shares from time to time as they may determine through public or private transactions or through other means described in the section entitled "Plan of Distribution" beginning on page 91 at prevailing market prices, at prices different than prevailing market prices or at privately negotiated prices. The prices at which the selling stockholders may sell the shares may be determined by the prevailing market price for the shares at the time of sale, may be different than such prevailing market prices or may be determined through negotiated transactions with third parties.

We will not receive any of the proceeds from the sale of these shares by the selling stockholders. If the warrants are exercised by the payment of cash, however, we would receive the exercise price of the warrants, which is $0.01 per share subject to certain adjustments as set forth in the warrant agreement. However, all the warrants covered by the registration statement of which this prospectus is a part have a cashless exercise provision that allows the holder to receive a reduced number of shares of our common stock, without paying the exercise price in cash. To the extent any of the warrants are exercised in this manner, we will not receive any additional proceeds from such exercise. We have agreed to pay all expenses relating to registering the securities. The selling stockholders will pay any brokerage commissions and/or similar charges incurred for the sale of these shares of our common stock.

Our shares are currently quoted on The Nasdaq Global Market under the ticker symbol "WAVE".

Investing in our common stock involves significant risks. See "Risk Factors" beginning on page 8 to read about factors you should consider before buying shares of our common stock.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the adequacy of accuracy of this prospectus. Any representation to the contrary is a criminal offense.

Prospectus dated April , 2007

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PROSPECTUS SUMMARY

This summary highlights key aspects of our business that are described in more detail elsewhere in this registration statement. This summary does not contain all of the information that you should consider before making a future investment decision with respect to our securities. You should read this entire registration statement carefully, including the "Risk Factors," the combined audited financial statements and the notes thereto included elsewhere in this registration statement.

Unless the context indicates otherwise, all references in this registration statement to "NextWave," "the Company," "we," "us" and "our" refer to NextWave Wireless Inc. and its direct and indirect subsidiaries. References to Old NextWave Wireless refer to our existence as a company conducting a separate line of business prior to April 13, 2005, when we emerged from Chapter 11 as a new wireless technology company.

Our Company

Business Overview

We are an early-stage wireless technology company that develops next-generation mobile broadband and wireless multimedia products and technologies. Our products and technologies are designed to make wireless broadband faster, more reliable and more affordable. At present, our customers include many of the largest mobile handset and wireless service providers in the world.

We believe that wireless broadband represents the next logical step in the evolution of the Internet and that consumer demand for fully-mobile, wireless broadband service will transform the global wireless communications industry from one driven primarily by circuit-switched voice to one driven by IP-based broadband connectivity. Our business activities are focused on developing products, technologies and network solutions that provide consumers and businesses with affordable, high-speed, mobile access to the information and multimedia content they want.

Our wireless broadband products and technologies are developed and marketed through our operating subsidiaries, each of which is focused on specific and critical links in the global mobile broadband ecosystem:

NextWave Broadband Inc. - A family of mobile broadband semiconductor products and network components based on WiMAX and Wi-Fi technologies, terminal device reference designs and network implementation services;

PacketVideo Corporation - Multimedia software applications for wireless handsets and other converged mobile devices; and

GO Networks, Inc. - Carrier-class, wide-area, mobile Wi-Fi systems.

NextWave Broadband Inc. Our Advanced Technology Group, a division of NextWave Broadband Inc., is developing a family of mobile broadband semiconductor products based on WiMAX and Wi-Fi technologies, including multi-band RF chips and high-performance, digital baseband WiMAX chips. In addition, our Advanced Technology Group is developing wireless network components and a family of handset and media player reference designs to highlight the features of the Company's subscriber station semiconductor products. The primary design objectives of the Advanced Technology Group's products and technologies, which are intended to be sold or licensed to network infrastructure vendors, device manufacturers and service providers worldwide, are:

- Improve the performance and economics of WiMAX and Wi-Fi networks and enhance their ability to cost-effectively handle the large volume of network traffic associated with bandwidth-intensive multimedia applications such as mobile television, video-on-demand, streaming hi-fidelity audio, two-way video telephony and real-time gaming;

- Improve the performance, power consumption and cost characteristics of mobile broadband enabled subscriber terminals;

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- Improve the degree of interoperability and integration between Wi-Fi and WiMAX systems for both Local Area Networks (LANs) and Wide Area Networks (WANs);

- Improve the efficiency, cost and performance of video and audio broadcast applications over WiMAX networks; and

- Improve service provider economics and roaming capabilities by enabling WiMAX networks and WiMAX enabled devices to seamlessly operate across multiple frequency bands including the use of certain unlicensed bands.

Through our Network Solutions Group, also a division of NextWave Broadband, we intend to offer service provider customers a full array of network services, including RF and core network design services, network implementation and management services and back-office service solutions. To demonstrate the capabilities of our network service capabilities and our wireless broadband products, the Network Solutions Group is implementing a mobile WiMAX/Wi-Fi test site in Henderson, Nevada. We intend to utilize this test site to demonstrate our technical and product capabilities to wireless service providers, cable operators, Internet service providers and media/content companies, who are interested in deploying mobile WiMAX networks that operate on spectrum owned or leased by the Company in the U.S. and internationally while utilizing network and device equipment that incorporate our products and technologies. Our spectrum footprint in the U.S. covers a population of over 248 million people, or POPs, and includes many of the largest metropolitan areas in the country. In addition, NextWave Wireless has acquired nationwide spectrum in Germany through its majority-owned company, Inquam Broadband.

PacketVideo Corporation. Through our PacketVideo subsidiary, we supply device-embedded multimedia software to many of the largest wireless handset manufacturers and wireless carriers in the world, who use it to transform a mobile phone into a feature-rich multimedia device that provides people the ability to stream, download and play video and music, receive live TV broadcasts, and engage in two-way video telephony. PacketVideo's software is compatible with virtually all network technologies, including CDMA and GSM. To date, more than 110 million PacketVideo powered phones have been shipped worldwide by companies such as Motorola, Samsung, LGE, Sony Ericsson, and Nokia. PacketVideo has been contracted by some of the largest carriers in the world, such as Verizon Wireless, Vodafone, NTT DoCoMo, Orange and T-Mobile to design and implement the embedded multimedia software capabilities contained in their handsets.

PacketVideo has made investments in developing and acquiring a wide range of capabilities to provide its customers with solutions to support and accelerate digital media convergence within the home and office via mobile devices and consumer electronics that utilize PacketVideo's device-embedded software and the communications protocols standardized by the Digital Living Network Alliance™ (DLNA™). An example is PacketVideo's network-based PacketVideo Experience™ platform that provides for content search, discovery, organization and content delivery/sharing between devices connected to a private IP-based network on a one-on-one or one-to-many basis, PacketVideo's patented Digital Rights Management (DRM) capability, already serving many carriers globally, further provides for a flexible solution that protects the multimedia content used or shared by PacketVideo-enabled devices. We expect that the continued growth in global shipments of high-end handsets with multimedia capabilities, increasing demand for home/office digital media convergence, and the acceleration of global deployments of mobile broadband enabled networks will substantially expand the opportunity for PacketVideo to license its suite of multimedia software solutions to handset and consumer electronic device manufacturers, and service providers. In addition, we intend to leverage PacketVideo's established market presence and unique software expertise to be a leading global provider of the next generation of device-embedded software modules needed for the efficient capture, transmission and manipulation of multimedia content by fourth generation (4G) wireless broadband mobile devices.

GO Networks, Inc. Through our GO Networks subsidiary, which we acquired in February 2007, we offer carrier-class mobile Wi-Fi network systems to commercial and municipal service providers worldwide. By utilizing advanced xRF™

adaptive beamforming smart antenna technology and a cellular-mesh Wi-Fi architecture, the GO Networks system is designed to deliver superior Wi-Fi coverage, performance, and economics and provide service providers with a cost-effective solution to support bandwidth-intensive mobile broadband services such as video streaming, real-time gaming, web browsing, and other types of multimedia applications on a wide-area basis.

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We believe the breadth of products, technologies, spectrum assets and services offered by our various subsidiaries represents a unique platform to provide advanced wireless broadband solutions to the market. While our subsidiaries are intended to be operated as stand-alone businesses, we also expect them to provide synergistic value to each other and collectively drive accelerated market penetration and share of the wireless broadband market for the Company.

Competitive Strengths

A highly accomplished team of wireless technology professionals. Our technology development efforts are led by a team of highly accomplished engineering veterans with broad experience in the development of wireless communications technologies and solutions. Several members of our team, including our Chief Executive Officer, Allen Salmasi, played key roles at QUALCOMM in the development and successful commercialization of the CDMA wireless technology standard used worldwide today. Additional support for our technology development efforts is provided by the NextWave Technical Development Steering Committee which is comprised of some of the most accomplished individuals in the wireless industry, including Dr. Andrew Viterbi who co-founded QUALCOMM.

Integrated business model. We believe that each of our operating subsidiaries represents an attractive standalone business. However, we believe that our business units are highly complementary to each other and together provide us with the ability to adapt our business model and allocate resources to maximize market share in a rapidly evolving industry.

Well established industry position. Our PacketVideo subsidiary has established strong commercial relationships with many of the wireless industry's leading device manufacturers and network operators including LGE, Motorola, Nokia, Sony-Ericsson, Samsung, NTT DoCoMo, Orange, T-Mobile and Verizon Wireless. We believe these relationships will provide our other operating subsidiaries an advantage when marketing their products and technologies.

Integrated WiMAX/Wi-Fi solutions. We believe the family of integrated WiMAX/Wi-Fi network and mobile device products we are developing will provide customers the most cost-effective mobile broadband solutions possible. In addition, because our GO Networks subsidiary utilizes a cellular-mesh network architecture, we believe that GO Network customers represent opportunities for future Wi-Fi to WiMAX upgrades that utilize NextWave's WiMAX products and technologies.

Attractive wireless spectrum portfolio, well-suited to support mobile broadband. To date, we have assembled a licensed spectrum portfolio in the U.S that covers over 248 million persons, or POPs. Some of our markets, including much of the New York metropolitan region, are covered by 30 MHz or more of spectrum. We believe that our spectrum footprint, which includes eight of the top ten Cellular Market Areas ("CMAs") and 15 of the top 20 CMAs in the U.S., will be attractive to service providers who wish to offer next-generation wireless broadband services. In addition, through majority owned partnerships, we have acquired a nationwide WiMAX spectrum license in Germany, acquired WCS spectrum in Canada, and have been advised that we will be awarded a nationwide spectrum license in Switzerland.

Acquisitions and Strategic Investments

As part of our strategy to develop and commercialize products, technologies and solutions that device and consumer electronics manufacturers, network equipment vendors and wireless service providers need to deliver affordable, high-quality, next-generation wireless broadband products and services, we have completed or announced several major acquisitions and strategic investments to expand our business and enhance our technology development capabilities, including:

a) the acquisition of PacketVideo Corporation, a global provider of device-embedded multimedia software for mobile phones, for $46.7 million in July 2005;

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b) the acquisition of CYGNUS Communications, a developer of WiMAX semiconductor solutions, for $9.8 million in February 2006; and

c) the acquisition of GO Networks, a global provider of cost-effective carrier-class, mobile Wi-Fi network systems to commercial and municipal service providers, for $13.2 million, plus up to $25.7 million of contingent consideration, in January 2007.

In April 2007, we announced that we had entered into an agreement to acquire all of the outstanding capital stock of IPWireless Inc. ("IPWireless"), a privately-held company headquartered in San Bruno, California, with research and development facilities in the United Kingdom. IPWireless is a supplier of TD-CDMA network equipment and subscriber terminals, and develops 3GPP TDD UMTS standards which serve as the foundation for its next-generation mobile TV and wireless broadband public-safety network solutions. Its TD-CDMA mobile broadband technology recently was selected by New York City as part of the deployment of a citywide, public-safety wireless network.

The merger consideration consists of approximately $100 million to be paid at closing by $25 million in cash and $75 million in shares of our common stock. As specified in the acquisition agreement, additional consideration of up to $135 million may be earned upon the achievement of certain revenue milestones relating to IPWireless' public safety business and TDtv business during the 2007 to 2009 timeframe, with potential payment of up to $50 million in late 2007 or 2008, and up to $7.5 million in 2008, up to $24.2 million in 2009, and up to $53.3 million in 2010. If earned, up to $114 million of such additional consideration is payable in cash or shares of common stock at our election, and approximately $21 million of such amounts are payable in cash or shares of common stock at the election of representatives of IPWireless shareholders. Five million dollars of the consideration to be paid at closing and $21 million of the additional consideration that may be earned after closing will be placed in escrow for 12 months from the closing date, which will be available to compensate us for certain losses. If the acquisition is completed, we will adopt the IPWireless, Inc. Employee Stock Bonus Plan to provide IPWireless employees with shares of NextWave common stock having an aggregate value of up to $7 million, dependent on the achievement of certain revenue milestones relating to IPWireless' public safety business and TDtv business as an inducement for such employees to join the NextWave group and continue with the business following the Merger. The acquisition of IPWireless remains subject to various standard closing conditions, including Hart-Scott-Rodino and Nasdaq listing approvals, and is expected to close in the second calendar quarter of 2007.

We have also pursued the acquisition of spectrum licenses in the United States and abroad that we believe will help promote the utilization of our products and technologies by prospective customers acquisition for amounts totaling $451.9 million, including our recent acquisition of 28 spectrum licenses in Germany, our acquisition of 154 spectrum licenses through the AWS action for an aggregate bid of $115.6 million and our acquisition of WCS Wireless Inc., which holds spectrum covering 188.8 million persons, or POPs, in the Central, Western, and Northeastern United States, for $160.5 million.

Our acquisitions and investments are described in this registration statement in greater detail under the heading "Business - Our History".

Risks Affecting Us

We are an early stage company that recently emerged from Chapter 11 with a new wireless technology business plan and have limited relevant operating history. We have identified a material weakness in our internal control over financial reporting, and the identification of any significant deficiencies or material weaknesses in the future could affect our ability to ensure timely and reliable financial reports. With the exception of our PacketVideo subsidiary, we have never generated any material revenues and have limited commercial operations. We operate in an extremely competitive environment. If WiMAX technology fails to gain acceptance, we will not be successful in selling WiMAX products and technologies. Our wireless broadband products and technologies are in the early stages of development and will require a substantial investment before they may become commercially viable. We are currently unable to project when our wireless broadband products and technologies will be commercially deployed and generate revenue. We have made numerous acquisitions and investments since our emergence. We must successfully manage our growth and integrate these recent and any future acquisitions and investments. We are subject to a number of other risks of which you should be aware before making a future investment decision with respect to our securities. These risks are discussed more fully under the heading “Risk Factors.”

Capital Stock

Our authorized capital stock consists of 400,000,000 shares of common stock, par value $0.001 per share and 25,000,000 shares of preferred stock, par value $0.001 per share, of which 355,000 shares were designated as Series A Senior Convertible Preferred Stock. As of March 28, 2007 we had 84,470,013 shares of common stock outstanding held by approximately 979 holders of record. As of such date, there were 19,365,957 shares of common stock reserved for future issuance, of which 16,702,476 will be reserved for issuance upon the exercise of granted and outstanding options and warrants and 2,663,481 will be available for future option grants, plus up to $5.0 million of stock may be issued under the GO Networks Employee Stock Bonus Plan upon the achievement of specified milestones. As of March 28, 2007, we had 355,000 shares of preferred stock outstanding held by approximately 21 holders or record.

Our shares are currently listed on The Nasdaq Global Market under the ticker symbol “WAVE”.

Corporate Information

Our principal executive offices are located at 12670 High Bluff Drive, San Diego, California 92130, and our telephone number is (858) 480-3100. NextWave’s website address is www.nextwave.com. Our website, and the information contained in the website, is not a part of this prospectus.

THE OFFERING

Common stock outstanding prior to this offering, excluding the shares underlying the unexercised warrants(1)	84,470,013 shares
Common stock being offered for resale to the public by the selling stockholders	4,109,470 shares
Common stock to be outstanding after this offering	86,406,003 shares
Total proceeds raised by offering	We will not receive any proceeds from the resale of our common stock pursuant to this offering. We may receive proceeds upon the exercise of the warrants to the extent such warrants are exercised for cash.
Use of proceeds	Any proceeds we may receive will be used to meet our working capital needs and general corporate purposes.
Nasdaq Global Market symbol	WAVE
Risk factors	See “Risk Factors” and the other information included in this prospectus for a discussion of risk factors you should carefully consider before deciding to invest in our common stock.

(1) The number of shares of our common stock outstanding prior to this offering is based on the number of shares of our common stock outstanding as of March 28, 2007, and includes 2,173,480 shares previously issued upon the exercise of the warrants. This number does not include, as of March 28, 2007:

· 14,266,486 shares of our common stock issuable upon exercise of options and warrants outstanding, at a weighted average exercise price of $6.17 per share;

· 2,663,481 shares of our common stock are reserved for issuance under our NextWave Wireless Inc. 2005 Stock Incentive Plan, NextWave Wireless Inc. 2007 Stock Incentive Plan, the CYGNUS Communications, Inc. 2004 Stock Option Plan and the PacketVideo Corporation 2005 Equity Incentive Plan plus up to $5.0 million of stock may be issued under the GO Networks Employee Stock Bonus Plan upon the achievement of specified milestones;

. 500,000 shares of our common stock issuable upon exercise of warrants at an exercise price of $6.00 per share, plus an additional 1,935,990 shares of our common stock issuable upon the exercise of warrants at an exercise price of $0.01 per share; and

· 32,126,696 shares of our common stock issuable upon the conversion of our Series A Preferred Stock.

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Summary Financial Data

You should read the following summary historical financial data together with the information under "Management's Discussion and Analysis of Financial Condition and Results of Operations," our unaudited condensed consolidated financial statements and our audited consolidated financial statements and the notes to those financial statements included elsewhere in this registration statement.

The following selected consolidated statement of operations data for the year ended December 30, 2006 and for the period from the date of our inception as a new wireless technology company pursuant to the plan of reorganization of Old NextWave Wireless described below (April 13, 2005) to December 31, 2005 and selected consolidated balance sheet data as of December 30, 2006 and December 31, 2005 was derived from our audited consolidated financial statements and should be read in conjunction with our audited consolidated financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this registration statement.

(in thousands, except per share data)	**Year Ended December 30, 2006 (1) (2)**	**Inception (April 13, 2005) to December 31, 2005 (3)**
Consolidated Statement of Operations Data:		
Revenues	$ 24,284	$ 4,144
Loss from operations	(98,526)	(55,687)
Net loss	(105,020)	(45,952)
Basic and diluted net loss per common share	$ (1.28)	$ [4]
Consolidated Balance Sheet Data:		
Cash, cash equivalents and short-term investments	$ 200,685	$ 459,231
Restricted cash [5]	75,000	—
Wireless spectrum licenses, net	527,998[6]	45,467
Goodwill	32,184	24,782
Other intangible assets, net	18,570	18,100
Total assets	897,079	579,774
Long-term obligations, net of current portion [5]	298,030	14,934
Convertible preferred stock [7]	—	—
Total shareholders' equity[1]	469,178	—
Total members' equity[1]	—	539,364

(1) On November 13, 2006, NextWave completed a corporate conversion merger, whereby a wholly-owned subsidiary of NextWave Wireless Inc. was merged with and into NextWave Wireless LLC ("Corporate Conversion Merger"). As a result of the merger, NextWave Wireless LLC became a wholly-owned subsidiary of NextWave Wireless Inc. Under the terms of the merger agreement, NextWave Wireless Inc. issued shares of its common stock to holders of NextWave Wireless LLC's membership units in exchange for all of the outstanding membership units of NextWave Wireless LLC, with NextWave Wireless LLC unit holders receiving one share of NextWave Wireless Inc. common stock for each six membership units of NextWave Wireless LLC that they held.

(2) Effective January 1, 2006, we changed our fiscal year end and quarterly reporting periods from quarterly calendar periods ending on December 31 to a 52-53 week fiscal

year ending on the Saturday nearest to December 31 of the current calendar year or the following calendar year.

(3) On April 13, 2005, pursuant to the plan of reorganization of the NextWave Telecom group, our equity securities were distributed to the NTI equity holders and we were reconstituted as a company with a new capitalization and a new wireless technology business plan. A summary of the assets and liabilities contributed to us on April 13, 2005 is provided in the Notes to Consolidated Financial Statements included elsewhere in this registration statement. For more information on our emergence as a new wireless technology company, see “Business-Our History.”

(4) Loss per share information is not presented for the period from inception (April 13, 2005) to December 31, 2005 as it would not be meaningful due to the Corporate Conversion Merger.

(5) On July 17, 2006, NextWave issued 7% Senior Secured Notes due 2010 (the “Notes”) in the aggregate principal amount of $350.0 million. The Notes were issued at a fifteen percent (15%) original issue discount, resulting in gross proceeds of $297.5 million. NextWave is required to maintain a minimum balance of $75.0 million in cash or cash equivalents from funds other than the proceeds of the Notes in a restricted collateral account at all times while the Notes remain outstanding.

(6) The increase in wireless spectrum licenses, net, during 2006, includes our July 2006 acquisition of WCS Wireless, Inc. which resulted in the addition of $236.4 million of wireless spectrum licenses. The value assigned to the wireless spectrum includes the cash purchase price of $160.5 million, legal costs of $0.1 million, and $75.8 million in associated deferred tax. We also acquired other licensed spectrum rights for $245.0 million in cash and $4.0 million through the assumption of lease liabilities. These additions were reduced by amortization during 2006 of $2.9 million.

(7) On March 28, 2007, we issued and sold 355,000 shares of our Series A Senior Convertible Preferred Stock (the “Series A Preferred Stock”) at a price of $1,000 per share. We received $351.0 million in net proceeds from the sale of the Series A Preferred Stock. The Series A Preferred Stock has a mandatory redemption on March 28, 2017.

RISK FACTORS

Our business involves a high degree of risk. You should carefully consider the following risks together with all of the other information contained in this registration statement before making a future investment decision with respect to our securities. If any of the following risks actually occurs, our business, financial condition and results of operations could be materially adversely affected, and the value of our securities could decline.

Risks Relating to Our Business

We are an early-stage company and have limited relevant operating history and a history of losses.

We emerged from our reorganization in April 2005 with a new business plan and have made several recent acquisitions and investments. As a result, we are at an early stage of our development and have had a limited relevant operating history and, consequently, limited historical financial information. Other than through our PacketVideo business, which we acquired in July 2005, we have never generated any material revenues and have limited commercial operations. We are currently unable to project when our wireless broadband products and technologies will be commercially deployed and generate revenue. In addition, we, along with the companies we have acquired, have a history of losses. Other than our PacketVideo business, we will not have the benefit of any meaningful operations, and we will incur significant expenses in advance of generating significant revenues, particularly from our WiMAX/Wi-Fi semiconductor and network component products, and are expected to realize significant operating losses for the next few years. We are therefore subject to all risks typically associated with a start-up entity.

We are in the early stages of the implementation of our business plan. If we are not able to successfully implement all key aspects of our business plan, including selling and/or licensing high volumes of our WiMAX/Wi-Fi semiconductor and network component products to network operators and to device and network equipment manufacturers, we may not be able to develop a customer base sufficient to generate adequate revenues. If we are unable to successfully implement our business plan and grow our business, either as a result of the risks identified in this section or for any other reason, we may never achieve profitability, in which event our business would fail.

We have identified a material weakness in our internal control over financial reporting, and the identification of any significant deficiencies or material weaknesses in the future could affect our ability to ensure timely and reliable financial reports.

In connection with our close process and the audit of the consolidated financial statements for the year ended December 30, 2006, our management concluded that a material weakness existed relating to revenue recognition pursuant to software contracts of PacketVideo. The Company’s failure to correctly apply software revenue recognition principles resulted from a lack of a sufficient number of employees with appropriate levels of knowledge, expertise and training in the application of generally accepted accounting principles relevant to software revenue recognition. As a public company, our systems of internal controls over financial reporting are required to comply with the standards adopted by the SEC and the Public Company Accounting Oversight Board (the “PCAOB”). Both regulators currently define a material weakness as a single deficiency, or combination of deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. We believe we have taken measures to remedy the material weakness, some of which are still in progress. For a discussion of our internal control over financial reporting and a description of the identified material weakness and the related remedial measures, see Item 9A in our Annual Report on Form 10-K, filed with the SEC on March 30, 2007.

We will be required to make our first annual certification on our internal controls over financial reporting in our Annual Report for the fiscal year ended December 29, 2007. In preparing for such certification, we are presently evaluating our internal controls for compliance with applicable SEC and PCAOB requirements. We have identified that a material weakness exists related to revenue recognition in our PacketVideo subsidiary. We also may identify additional areas requiring improvement and may be required to design enhanced processes and controls to address issues identified through this review. This could result in significant delays and cost to us and require us to divert substantial resources, including management time, from other activities. We have commenced a review of our existing internal control structure and plan to hire additional personnel. Although our review is not complete, we have taken steps to improve our internal control structure by hiring dedicated, internal compliance personnel to analyze and improve our internal controls, to be supplemented periodically with outside consultants as needed. However, if we fail to achieve and maintain the adequacy of our internal controls, we may not be able to conclude that we have effective internal controls over financial reporting as of the end of our fiscal year 2007. Moreover, although our management will continue to review and evaluate the effectiveness of our internal controls, we can give you no assurance that there will be no material weaknesses in our internal control over financial reporting. We may in the future have material weaknesses or other control deficiencies in our internal control over financial reporting as a result of our controls becoming inadequate due to changes in conditions, the degree of compliance with our internal control policies and procedures deteriorating, or for other reasons. If we have significant deficiencies or material weaknesses or other control deficiencies in our internal control over financial reporting, our ability to record, process, summarize and report financial information within the time periods specified in the rules and forms of the SEC will be adversely affected. This failure could materially and adversely impact our business, our financial condition and the market value of our securities.

If we fail to effectively manage growth in our business, our ability to develop and commercialize our products will be adversely affected.

Our business and operations have expanded rapidly since the completion of our reorganization in April 2005. For example, from April 13, 2005 through March 28, 2007, the number of our employees has increased from 50 to 662 as a result of organic growth and acquisitions. We acquired GO Networks in February 2007, CYGNUS Communications in February 2006 and PacketVideo in July 2005 and we are still in the process of integrating these businesses. In addition, we have recently announced the signing of an agreement to acquire all of the outstanding capital stock of IPWireless. To support our expanded research and development activities for our mobile broadband business and the growth in our PacketVideo business, we must continue to successfully hire, train, motivate and retain our employees. We expect that significant further expansion of our operations and employee base will be necessary. In addition, in order to manage our expanded operations, we will need to continue to expand our management, operational and financial controls and our reporting systems and procedures. We will also need to retain management, key employees and business partners of PacketVideo, GO and CYGNUS. All of these measures will require significant expenditures and will demand the attention of management. Failure to fulfill any of the foregoing requirements could result in our failure to successfully manage our intended growth and development, and successfully integrate PacketVideo, GO and CYGNUS, which would adversely affect our ability to develop and commercialize our products and achieve profitability.

We operate in an extremely competitive environment which could materially adversely affect our ability to win market acceptance of our products and achieve profitability.

We operate in an extremely competitive market and we expect such competition to increase in the future. Set forth below is a brief description of the competitive environment for NextWave Broadband, PacketVideo and GO Networks:

NextWave Broadband - As providers of mobile broadband products and technologies based on WiMAX and Wi-Fi standards, we will be competing with well established, international companies that are engaged in the development, manufacture and sale of products and technologies that support alternative wireless standards such as GSM, CDMA2000 and UMTS. Companies that support these alternative wireless technologies include well established industry leaders such as Alcatel, Ericsson, Huawei, LGE, Lucent, Motorola, Nokia, Nortel, QUALCOMM, Samsung and Siemens.

In addition, we will be competing with numerous companies that are currently developing or marketing WiMAX products and technologies including Beceem, Fujitsu, Intel, Motorola, Nortel, RunCom, Samsung, Sequans and WaveSat. Some of these companies have significantly greater financial, technical development, and marketing resources than we do, are already marketing commercial WiMAX semiconductor products, and have established a significant time to market advantage. These companies are also our potential customers and partners and may not be available to us if they develop competing products. In addition, we expect additional competition to emerge in the WiMAX semiconductor and components market including well-established companies such as Samsung and Broadcom.

PacketVideo - At present, the primary competitors for PacketVideo’s multimedia software products are the internal multimedia design teams at the OEM handset manufacturers to whom PacketVideo markets its products and services. Importantly, these OEMs represent some of PacketVideo’s largest customers. In addition several companies, including Flextronics/Emuzed, Hantro, Nextreaming, Philips Software, Sasken and Thin Multimedia also currently provide software products and services that directly or indirectly compete with PacketVideo. As the market for embedded multimedia software evolves, we anticipate that additional competitors may emerge including Apple Computer, Real Networks and OpenWave.

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GO Networks - GO Networks competition ranges from small and medium size companies such as Tropos Networks, Strix Systems, and Belair Networks to large-scale systems suppliers such as Cisco, Motorola, and Nortel. Many of GO Networks' competitors have an established time-to-market advantage and have sales, marketing, manufacturing, and distribution capabilities that significantly exceed those of GO Networks.

Some of our competitors have significantly greater financial, technological development, marketing and other resources than we do, are already marketing commercial products and technologies and have established a significant time to market advantage. Our ability to generate earnings will depend, in part, upon our ability to effectively compete with these competitors.

We intend to expand our business through additional acquisitions that could result in diversion of resources and extra expenses, which could disrupt our business and increase our expenses.

Part of our strategy is to pursue acquisitions of and investments in businesses and technologies to expand our business and enhance our technology development capabilities. In addition to our CYGNUS, GO Networks and PacketVideo acquisitions and our recently announced agreement to acquire IPWireless, we have made investments in a number of companies including Hughes Systique and Inquam Broadband, and anticipate future investments in other companies. The negotiation of potential acquisitions and investments, as well as the integration of acquired businesses or technologies, could divert our management's time and resources. Acquired businesses and technologies may not be successfully integrated with our products and operations. In addition, our investments, particularly minority investments, may not give us access to new technologies or provide us with business relationships with the other company. We may not realize the intended benefit of any acquisition or investment. Our acquisitions could result in substantial cash expenditures, potentially dilutive issuances of equity securities, the incurrence of debt and contingent liabilities, a decrease in our profit margins and amortization of intangibles and potential impairment of goodwill. In addition, our investments could result in substantial cash expenditures, fluctuations in our results of operations resulting from changes in the value of the investments and diversion of management's time and attention. If acquisitions disrupt our operations or if our investments are not successful, our business, financial condition and results of operations may suffer.

If WiMAX technology fails to gain acceptance, we will not be successful in selling WiMAX products and technologies.

Our business plan is reliant on the deployment and market acceptance of mobile WiMAX networks and WiMAX enabled handsets and devices. WiMAX and the market for WiMAX networks and services have only recently begun to develop and are continuing to evolve. We plan to generate most of our revenue from the sale of WiMAX products and the licensing of mobile WiMAX broadband technologies. There are currently no mobile WiMAX networks in commercial operation and there can be no assurance that commercial mobile WiMAX networks will prove to be commercially viable. Mobile WiMAX will compete with several third generation (3G) and fourth generation (4G) wireless air interface technologies that are currently being deployed or developed to enable the delivery of mobile broadband services to the market, including CDMA2000 and UMTS. In order for WiMAX to gain significant market acceptance among consumers, network operators and telecommunications service providers will need to deploy WiMAX networks. However, many of the largest wireless telecommunications providers have made significant expenditures in technologies that have the potential to be competitive with WiMAX and may choose to continue to develop these technologies rather than utilize WiMAX. Certification standards for WiMAX are controlled by the WiMAX Forum, an industry group. Accordingly, standard setting for WiMAX is beyond our control. If standards for WiMAX change, the commercial viability of mobile WiMAX may be delayed or impaired and our development efforts may also be delayed or impaired or become more costly. The development of mobile WiMAX networks is also dependent on the availability of spectrum. Access to spectrum suitable for mobile WiMAX is highly competitive. We currently contemplate using multiple frequencies for our mobile WiMAX networks. This multi-spectrum approach is technologically challenging and will require the development of new software, integrated circuits and equipment, which will be time consuming and expensive and may not be successful. In order for our business to continue to grow and to become profitable, mobile WiMAX technology and related services must gain acceptance among consumers, who tend to be less technically knowledgeable and more resistant to new technology or unfamiliar services. If consumers choose not to adopt mobile WiMAX technology, we will not be successful in selling WiMAX products and technologies and our ability to grow our business will be limited.

Our wireless broadband products and technologies are in the early stages of development and will require a substantial investment before they may become commercially viable.

Many of our wireless broadband products and technologies are in the early stages of development and will require a substantial investment before they may become commercially viable. We are currently unable to project when our semiconductors and other wireless broadband products based on WiMAX and Wi-Fi technologies will be commercially deployed and generate revenue. While we intend to continue to make substantial investments in development for the foreseeable future, it is possible that our development efforts will not be successful and that many of our wireless broadband products and technologies will not result in meaningful revenues. In addition, unexpected expenses and delays in development could adversely affect our liquidity. Many of our wireless broadband products and technologies have not been tested, even on a pre-commercial basis. Even if our new products and technologies function when tested, they may not produce sufficient performance and economic benefits to justify full commercial development efforts, or to ultimately attract customers. Failure to achieve high volume sales of our semiconductors and other wireless broadband products and technologies will adversely affect our ability to achieve profitability.

Our future WiMAX products may not receive the certification we expect, which may affect our ability to sell our WiMAX products and services.

If our mobile WiMAX technologies and products do not receive WiMAX industry certification, we may not be able to successfully market, license or sell our mobile WiMAX products or technologies. Our WiMAX-based products may not receive the necessary certification in the time frame we expect, or at all, and may therefore not achieve the wide acceptance that we are seeking. In addition, we expect industry standards for WiMAX to evolve and if we are not able to adapt our products and technologies to any such changes, our ability to license or sell our products and technologies would be impaired.

The business plan of our Network Solutions Group is dependent on entering into or maintaining network partner relationships.

Our Network Solutions Group intends to build and operate WiMAX/Wi-Fi networks for wireless service providers, cable operators, multimedia content distributors, applications service providers and Internet service providers. At present, NSG has not entered into any such arrangements and may not be able to negotiate such arrangements on acceptable terms, or at all. If we are unable to establish and maintain these service arrangements, we may have to modify our plans for the Network Solutions Group.

The dependence of our Network Solutions Group business plan is subject to a number of risks, including:

- the inability to control the amount and timing of resources that our potential service providers devote to their network deployment activities;

- the possibility that potential service provider customers could move forward and deploy networks without the assistance of NSG; and

- the possibility that service provider customers may experience financial or technical difficulties.

We may require significant capital to implement our business plan, but we may not be able to obtain additional financing on favorable terms or at all.

While we estimate that our working capital will be sufficient to fund our research and development activities and our operating losses at least through 2008, we may need to secure significant additional capital in the future to implement changes to, or expansions of, our business plan and to become cash flow positive. We may also require additional cash resources to pursue investments or acquisitions, including investments in or acquisitions of other technologies, businesses or spectrum licenses. Sources of additional capital may include public or private debt and equity financings. We have completed a private placement of senior secured notes that provided us with net cash proceeds of $295.0 million available for the sole purpose of financing spectrum acquisitions and leases as well as a private placement of our Series A Senior Convertible Preferred Stock that provided us with net cash proceeds of $351.0 million. The entire proceeds of our senior secured notes were used for the acquisition of WCS Wireless, Inc. for $160.5 million, the acquisition of two new EBS leases for $22.1 million and for the majority of the funding for the acquisition of 154 AWS licenses for $115.6 million. The proceeds of our Series A Senior Convertible Preferred Stock are available to fund working capital needs and potential strategic transactions. To the extent that other attractive opportunities to acquire complimentary businesses or additional spectrum arise, we may need to raise additional funds to capitalize on such opportunities.

Risks Related to Our PacketVideo Business

Since our inception in April 2005, substantially all of our revenues have been generated by our PacketVideo subsidiary, which we acquired in July 2005, and we believe that PacketVideo will account for a substantial portion of our revenues until we complete the development and commercialization of our wireless broadband products and technologies. Our PacketVideo business is subject to a number of risks, including:

PacketVideo may be materially and adversely affected by a ban on EVDO phones by the United States International Trade Commission. During 2006, PacketVideo’s revenues from Verizon Wireless accounted for 64% of our revenues. Our embedded software is shipped by Verizon Wireless exclusively on EVDO handsets in connection with its V-Cast offering. Broadcom has alleged that QUALCOMM has infringed certain of its patents, including patents implicated in EVDO handsets, and filed a compliant in the United States International Trade Commission (ITC). Pursuant to the ITC hearing, an administrative law judge issued an initial determination in which he found infringement on some claims of one patent, which includes technology that governs power usage within EVDO handsets. The ITC has adopted the administrative law judge’s determination on violation and will issue its decision on remedy on May 8, 2007. The final determination is then subject to Presidential review. Following the determination on violation, Broadcom petitioned the ITC for a ban on the import of all EVDO phones, and the ITC will hold public hearings to investigate the impact on domestic businesses of such a ban. If such a ban were to be adopted, Verizon Wireless may be unable to sell EVDO handsets. Because PacketVideo license fees are generally based on a one time royalty when a new handset is sold, our revenue would be materially and adversely affected if a ban on EVDO handsets were to be enacted.

Reliance on a limited number of mobile phone and device manufacturers and wireless carriers. During 2006, PacketVideo’s revenues from Verizon Wireless accounted for 64% of our revenues. For the period from our inception (April 13, 2005) through December 31, 2005 PacketVideo’s revenues from Verizon Wireless, Fujitsu and Nokia accounted for 22%, 14% and 11%, respectively, of our revenues. Aggregated accounts receivable from Verizon Wireless and SEMC accounted for 42% and 11%, respectively, of total gross accounts receivable at December 30, 2006. We expect that our PacketVideo subsidiary will continue to generate a significant portion of its revenues through a limited number of mobile phone and device manufacturers and wireless carriers for the foreseeable future, although these amounts may vary from period-to-period. If any of these customers decides not to embed PacketVideo software into their mobile phones and devices or otherwise reduces the amount of PacketVideo software they embed in their mobile phones or devices generally, our PacketVideo revenues and results of operations could be materially adversely affected.

Our agreements with mobile phone and device manufacturers are not exclusive and many contain no minimum purchase requirements. Accordingly, mobile phone and device manufacturers may effectively terminate these agreements by no longer embedding PacketVideo's software into their products. In addition, PacketVideo has indemnified these manufacturers from certain claims that PacketVideo's software infringes third-party intellectual property rights. Our carrier agreements are not exclusive and generally have a limited term of one or two years with evergreen, or automatic renewal, provisions upon expiration of the initial term. These agreements set out the terms of our distribution relationships with the carriers but generally do not obligate the carriers to market or distribute any of our applications. In addition, the carriers can terminate these agreements early, and in some instances, at any time, without cause.

Many factors outside our control could impair PacketVideo's ability to generate revenues from mobile phone and device manufacturers and wireless carriers, including the following:

- a preference for embedded software licensed by one of PacketVideo's competitors;
- competing applications;
- a decision to discontinue embedding our PacketVideo software, or mobile broadband embedded software altogether;
- a carrier's decision not to provide mobile broadband applications or content thereby reducing the need for PacketVideo's applications;
- a carrier's network encountering technical problems that disrupt the delivery of content for our applications;
- a manufacturer's decision to increase the cost of mobile phones and devices embedded with PacketVideo's software;
- a manufacturer's decision to reduce the price it is willing to pay for embedded software such as PacketVideo's; and
- consolidation among manufacturers or wireless carriers or the emergence of new manufacturers or wireless carriers that do not license PacketVideo software.

If wireless subscribers do not increase their use of their mobile phones to access multimedia content, our PacketVideo business may suffer. Our PacketVideo business is reliant on the continued and increased use of mobile phones to access multimedia content by consumers. The market for multimedia content delivery through mobile phones is relatively new. If the market does not continue to develop or develops more slowly than anticipated, mobile phone manufacturers may cease to embed PacketVideo's software in their handsets and wireless carriers may limit or stop the delivery of multimedia content and the demand for mobile phones with embedded multimedia software may decline. If this occurs, our PacketVideo business would be harmed and our revenues would decline.

If we fail to deliver our PacketVideo applications to correspond with the commercial introduction of new mobile phone models, our sales may suffer. PacketVideo's business is tied, in part, to the commercial introduction of new mobile phones with enhanced features. Many new mobile phone models are released in the final quarter of the year to coincide with the holiday shopping season. We cannot control the timing of these mobile phone launches. Our PacketVideo software must be modified for each new mobile phone model. If we are unable to release new versions of our PacketVideo software to coincide with these new mobile phone launches, our sales of our PacketVideo software may suffer. In addition, if new mobile phone launches are delayed or if we miss the key holiday selling season, our sales may suffer.

PacketVideo may experience difficulties in the introduction of new or enhanced products, which could result in reduced sales, unexpected expenses or delays in the launch of new or enhanced products. The development of new or enhanced embedded multimedia software products is a complex and uncertain process. We may experience design, manufacturing, marketing and other difficulties that could delay or prevent our development, introduction, commercialization or marketing of new products or product enhancements. The difficulties could result in reduced sales, unexpected expenses or delays in the launch of new or enhanced products, which may adversely affect our results or operations.

We do not have any manufacturing capabilities and will depend on third-party manufacturers and suppliers to manufacture, assemble and package our semiconductor products.

We are currently designing and developing semiconductor products including digital baseband ASICs and multi-band RFICs. If we are successful in our design and development activities and a market for these products develops, these products will need to be manufactured. Due to the expense and complexity associated with the manufacturer of digital baseband ASICs and multi-band RFICs, we intend to depend on third-party manufacturers to manufacture these products. The dependence on third-parties to manufacture, assemble and package these products involves a number of risks, including:

- a potential lack of capacity to meet demand;
- reduced control over quality and delivery schedules;
- risks of inadequate manufacturing yield or excessive costs;
- difficulties in selecting and integrating subcontractors;
- limited warranties in products supplied to us;
- price increases; and
- potential misappropriation of our intellectual property.

We may not be able to establish manufacturing relationships on reasonable terms or at all. The failure to establish these relationships on a timely basis and on attractive terms could delay our ability to launch these products or reduce our revenues and profitability.

Defects or errors in our products and services or in products made by our suppliers could harm our relations with our customers and expose us to liability. Similar problems related to the products of our customers or licensees could harm our business.

Our WiMAX products and technologies that we are developing will be inherently complex and may contain defects and errors that are detected only when the products are in use. Further, because our products and technologies that we are developing will be responsible for critical functions in our customers' products and/or networks, such defects or errors could have a serious impact on our customers, which could damage our reputation, harm our customer relationships and expose us to liability. Defects in our products and technologies or those used by our customers or licensees, equipment failures or other difficulties could adversely affect our ability and that of our customers and licensees to ship products on a timely basis as well as customer or licensee demand for our products. Any such shipment delays or declines in demand could reduce our revenues and harm our ability to achieve or sustain desired levels of profitability. We and our customers or licensees may also experience component or software failures or defects which could require significant product recalls, reworks and/or repairs which are not covered by warranty reserves and which could consume a substantial portion of the capacity of our third-party manufacturers or those of our customers or licensees. Resolving any defect or failure related issues could consume financial and/or engineering resources that could affect future product release schedules. Additionally, a defect or failure in our products and technologies that we are developing or the products of our customers or licensees could harm our reputation and/or adversely affect the growth of mobile WiMAX markets.

Because mobile WiMAX is an emerging technology that is not fully developed, there is a risk that still unknown persons or companies may assert proprietary rights to the various technology components that will be necessary to

operate a WiMAX network.

As a technology company, we expect to incur expenditures to create and protect our intellectual property and, possibly, to assert infringement by others of our intellectual property. We also expect to incur expenditures to defend against claims by other persons asserting that the technology that will be used and sold by our Company infringes upon the right of such other persons. Because mobile WiMAX is an emerging technology that is not fully developed, there may be a greater risk that persons or entities unknown to us will assert proprietary rights to technology components that are necessary to operate WiMAX networks or products. More than 20 companies have submitted letters of assurance related to IEEE 802.16 and amendments stating that they may hold or control patents or patent applications, the use of which would be unavoidable to create a compliant implementation of either mandatory or optional portions of the standard. In such letters, the patent holder typically asserts that it is prepared to grant a license to its essential IP to an unrestricted number of applicants on a worldwide, non-discriminatory basis and on reasonable terms and conditions. If any companies asserting that they hold or control patents or patent applications necessary to implement mobile WiMAX do not submit letters of assurance, or state in such letters that they do not expect to grant licenses, this could have an adverse effect on the implementation of mobile WiMAX networks and the sale of our mobile WiMAX products and technologies. In addition, we can not be certain of the validity of the patents or patent applications asserted in the letters of assurance submitted to date, or the terms of any licenses which may be demanded by the holders of such patents or patent applications. If we were required to pay substantial license fees to implement our mobile WiMAX products and technologies, this could adversely affect the profitability of these products and technologies.

As the number of competitors in our market increases and the functionality of our products is enhanced, we may become subject to claims of infringement or misappropriation of the intellectual property rights of others. Any claims, with or without merit, could be time consuming to address, result in costly litigation, divert the efforts of our technical and management personnel or cause product release or shipment delays, any of which could have a material adverse effect upon our ability to commercially launch our products and technologies and on our ability to achieve profitability. If any of our products were found to infringe on another company's intellectual property rights or if we were found to have misappropriated technology, we could be required to redesign our products or license such rights and/or pay damages or other compensation to such other company. If we were unable to redesign our products or license such intellectual property rights used in our products, we could be prohibited from making and selling such products. In any potential dispute involving other companies' patents or other intellectual property, our customers could also become the targets of litigation. Any such litigation could severely disrupt the business of our customers, which in turn could hurt our relations with our customers and cause our revenues to decrease.

We anticipate that we will develop a patent portfolio related to our WiMAX products and technologies. However, there is no assurance that we will be able to obtain patents covering WiMAX products. Litigation may be required to enforce or protect our intellectual property rights. As a result of any such litigation, we could lose our proprietary rights or incur substantial unexpected operating costs. Any action we take to license, protect or enforce our intellectual property rights could be costly and could absorb significant management time and attention, which, in turn, could negatively impact our operating results. In addition, failure to protect our trademark rights could impair our brand identity.

Other companies or entities also may commence actions or respond to an infringement action that we initiate by seeking to establish the invalidity or unenforceability of one or more of our patents or to dispute the patentability of one or more of our pending patent applications. In the event that one or more of our patents or applications are challenged, a court may invalidate the patent or determine that the patent is not enforceable or deny issuance of the application, which could harm our competitive position. If any of our key patent claims are invalidated or deemed unenforceable, or if the scope of the claims in any of these patents is limited by court decision, we could be prevented from licensing such patent claims. Even if such a patent challenge is not successful, it could be expensive and time consuming to address, divert management attention from our business and harm our reputation.

We are dependent on a small number of individuals, and if we lose key personnel upon whom we are dependent, our business will be adversely affected.

Our future success depends largely upon the continued service of our board members, executive officers and other key management and technical personnel, particularly Allen Salmasi, our Chairman and Chief Executive Officer. Mr. Salmasi has been a prominent executive and investor in the technology industry for over 20 years, and the Company has benefited from his industry relationships in attracting key personnel and in implementing acquisitions and strategic plans. In addition, in order to develop and achieve commercial deployment of our mobile broadband products and technologies in competition with well-established companies such as Intel, QUALCOMM and others, we must rely on highly specialized engineering and other talent. Our key employees represent a significant asset, and the competition for these employees is intense in the wireless communications industry. We continue to anticipate significant increases in human resources, particularly in engineering resources, through 2008. If we are unable to attract and retain the qualified employees that we need, our business may be harmed.

As a start-up company, we may have particular difficulty attracting and retaining key personnel in periods of poor operating performance given the significant use of incentive compensation by well-established competitors. We do not have employment agreements with our key management personnel and do not maintain key person life insurance on any of our personnel. We also have no covenants against competition or nonsolicitation agreements with certain of our key employees. The loss of one or more of our key employees or our inability to attract, retain and motivate qualified personnel could negatively impact our ability to design, develop and commercialize our products and technology.

We may be liable for certain indemnification payments pursuant to the Plan of Reorganization.

In connection with the sale of NTI and its subsidiaries other than Old NextWave Wireless to Verizon Wireless, we agreed to indemnify NTI and its subsidiaries against all pre-closing liabilities of NTI and its subsidiaries and against any violation of the Bankruptcy Court injunction against persons having claims against NTI and its subsidiaries, with no limit on the amount of such indemnity. We are not currently aware of any such liabilities that remain following the plan of reorganization and Verizon Wireless has not made any indemnity claims. To the extent that we are required to fund amounts under the indemnification, our results of operations and our liquidity and capital resources could be materially adversely affected. In addition, we may not have sufficient cash reserves to pay the amounts required under the indemnification if any amounts were to become due.

Risks Relating to Government Regulation

Government regulation could adversely impact our development of wireless broadband products and services, our offering of products and services to consumers, and our business prospects.

The regulatory environment in which we operate is subject to significant change, the results and timing of which are uncertain. The FCC has jurisdiction over the grant, renewal, lease, assignment and sale of our wireless licenses, the use of wireless spectrum to provide communications services, and the resolution of interference between users of various spectrum bands. Other aspects of our business, including construction and operation of our wireless systems, and the offering of communications services, are regulated by the FCC and other federal, state and local governmental authorities. States may exercise authority over such things as billing practices and consumer-related issues.

Various governmental authorities could adopt regulations or take other actions that would adversely affect the value of our assets, increase our costs of doing business, and impact our business prospects. Changes in the regulation of our activities, including changes in how wireless, mobile, IP-enabled services are regulated, changes in the allocation of available spectrum by the United States and/or exclusion or limitation of our technology or products by a government or standards body, could have a material adverse effect on our business, operating results, liquidity and financial position.

Changes in legislation or regulations may affect our ability to conduct our business or reduce our profitability.

Future legislative, judicial or other regulatory actions could have a negative effect on our business. Some legislation and regulations applicable to the wireless broadband business, including how IP-enabled services are regulated, are the subject of ongoing judicial proceedings, legislative hearings and administrative proceedings that could change the manner in which our industry is regulated and the manner in which we operate. We cannot predict the outcome of any of these proceedings or their potential impact on our business.

If, as a result of regulatory changes, we become subject to the rules and regulations applicable to telecommunications providers, commercial mobile service providers or common carriers at the federal level or in individual states, we may incur significant administrative, litigation and compliance costs, or we may have to restructure our service offerings, exit certain markets or raise the price of our services, any of which could cause our services to be less attractive to customers. In addition, future regulatory developments could increase our cost of doing business and limit our growth.

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We may not have complete control over our transition of EBS and BRS spectrum, which could impact compliance with FCC rules.

The FCC's rules require transition of EBS and BRS spectrum to the new band plan on a Basic Trading Area ("BTA") basis. See "Government Regulation-BRS-EBS License Conditions." We do not hold all of the EBS and BRS spectrum in the BTAs in which we hold spectrum. Consequently, we will need to coordinate with other EBS and BRS licensees in order to transition spectrum we hold or lease. Disagreements with other EBS or BRS licensees about how the spectrum should be transitioned may delay our efforts to transition spectrum, could result in increased costs to transition the spectrum, and could impact our efforts to comply with applicable FCC rules. On April 27, 2006, the FCC implemented new, amended rules related to transition of the spectrum, and it adopted rules that will permit us to self-transition to the reconfigured band plan if other spectrum holders in our BTAs do not timely transition their spectrum.

Our use of EBS spectrum is subject to privately negotiated lease agreements. Changes in FCC rules governing such lease agreements, contractual disputes with EBS licensees, or failures by EBS licensees to comply with FCC rules could impact our use of the spectrum.

All commercial enterprises are restricted from holding licenses for EBS spectrum. Eligibility for EBS spectrum is limited to accredited educational institutions, governmental organizations engaged in the formal education of enrolled students (e.g., school districts), and nonprofit organizations whose purposes are educational. Access to EBS spectrum can only be gained by commercial enterprises through privately-negotiated EBS lease agreements. FCC regulation of EBS leases, private interpretation of EBS lease terms, private contractual disputes, and failure of an EBS licensee to comply with FCC regulations all could impact our use of EBS spectrum and the value of our leased EBS spectrum. On April 27, 2006, the FCC released new rules governing EBS lease terms. EBS licensees are now permitted to enter into lease agreements with a maximum term of 30 years; lease agreements with terms longer than 15 years must contain a "right of review" by the EBS licensee every five years beginning in year 15. The right of review must afford the EBS licensee with an opportunity to review its educational use requirements in light of changes in educational needs, technology, and other relevant factors and to obtain access to such additional services, capacity, support, and/or equipment as the parties shall agree upon in the spectrum leasing arrangement to advance the EBS licensee's educational mission. A spectrum leasing arrangement may include any mutually agreeable terms designed to accommodate changes in the EBS licensee's educational use requirements and the commercial lessee's wireless broadband operations. In addition, the terms of EBS lease agreements are subject to contract interpretation and disputes could arise with EBS licensees. There can be no assurance that EBS leases will continue for the full lease term, or be renewed, or be extended beyond the current term, on terms that are satisfactory to us. Similarly, since we are not eligible to hold EBS licenses, we must rely on EBS licensees with whom we contract to comply with FCC rules. The failure of an EBS licensee from whom we lease spectrum to comply with the terms of their FCC authorization or FCC rules could result in termination, forfeiture or non-renewal of their authorization, which would negatively impact the amount of spectrum available for our use.

If we do not comply with FCC build-out requirements relating to our spectrum licenses, such licenses could be subject to forfeiture.

Certain build-out or "substantial service" requirements apply to our licensed wireless spectrum, which generally must be satisfied as a condition of license renewal. In particular, the renewal deadline and the substantial service build-out deadline for our WCS spectrum is July 21, 2010; for our BRS and EBS spectrum, the substantial service build-out deadline is May 1, 2011; and for our AWS spectrum, the substantial service build-out deadline is December 18, 2021. Failure to make the substantial service demonstration, without seeking and obtaining an extension from the FCC, would result in license forfeiture.

We have no guarantee that the licenses we hold or lease will be renewed.

The FCC generally grants wireless licenses for terms of ten or fifteen years, which are subject to renewal and revocation. FCC rules require all wireless licensees to comply with applicable FCC rules and policies and the Communications Act of 1934 in order to retain their licenses. For example, licensees must meet certain construction requirements, including making substantial service demonstrations, in order to retain and renew FCC licenses. Failure to comply with FCC requirements with respect to any license could result in revocation or non-renewal of a license. There is no guarantee that licenses we hold or lease will remain in full force and effect or be renewed.

New FCC concepts impacting spectrum use could affect our use of wireless spectrum.

The FCC has initiated a number of proceedings to evaluate its rules and policies regarding spectrum licensing and usage. For example, it is considering new concepts that might permit unlicensed users to “share” our licensed spectrum to the extent the FCC believes harmful interference will not occur. These new uses could adversely impact our utilization of our licensed spectrum and our operational costs.

Interference could negatively impact our use of wireless spectrum we hold, lease or use.

Under applicable FCC rules, users of wireless spectrum must comply with technical rules that are intended to eliminate or diminish harmful radiofrequency interference between wireless users. Licensed spectrum is generally entitled to interference protection, subject to technical rules applicable to the radio service, while unlicensed spectrum has no interference protection rights and must accept interference caused by other users.

Wireless devices utilizing WCS, BRS and EBS spectrum may be susceptible to interference from Satellite Digital Audio Radio Services (“SDARS”).

Since 1997, the FCC has considered a proposal to permanently authorize terrestrial repeaters for SDARS operations adjacent to the C and D blocks of the WCS band. The FCC has permitted a large number of these SDARS terrestrial repeaters to operate on a special temporary authorization since 2001. Permanently authorizing SDARS repeaters adjacent to the WCS band could cause interference to WCS, BRS and EBS receivers. The extent of the interference from SDARS repeaters is unclear and is subject to the FCC’s final resolution of pending proceedings. Because WCS C and D block licenses are adjacent to the SDARS spectrum, the potential for interference to this spectrum is of greatest concern. There is a lesser magnitude concern regarding interference from SDARS to WCS A and B block licenses, and EBS and BRS licenses. Central to the FCC’s evaluation of this proposal has been the technical specification for the operation of such repeaters. SDARS licensees are seeking rule changes that would both unfavorably alter WCS technical operating requirements and permit all existing SDARS repeaters to continue to operate at their current operating parameters. Final technical rules will determine the potential interference conditions and requirements for mitigation. If SDARS repeaters result in interference to our WCS, BRS or WBS spectrum, our ability to realize value from this spectrum may be impaired.

Increasing regulation of the tower industry may make it difficult to deploy new towers and antenna facilities.

The FCC, together with the FAA, regulates tower marking and lighting. In addition, tower construction and deployment of antenna facilities is impacted by federal, state and local statutes addressing zoning, environmental protection and historic preservation. The FCC adopted significant changes to its rules governing historic preservation review of new tower projects, which makes it more difficult and expensive to deploy towers and antenna facilities. The FCC also is considering changes to its rules regarding when routine environmental evaluations will be required to determine compliance of antenna facilities with its RF radiation exposure limits. If adopted, these regulations could make it more difficult to deploy facilities. In addition, the FAA has proposed modifications to its rules that would impose certain notification requirements upon entities seeking to (i) construct or modify any tower or transmitting structure located within certain proximity parameters of any airport or heliport, and/or (ii) construct or modify transmission facilities using the 2500-2700 MHz radio frequency band, which encompasses virtually all of the BRS/EBS frequency band. If adopted, these requirements could impose new administrative burdens upon use of BRS/EBS spectrum.

Risks Relating to An Investment in Our Common Stock

Our derivative securities have the potential to dilute shareholder value and cause our stock price to decline

On March 28, 2007, 84.5 million shares of our common stock were outstanding. Up to 46.2 million additional shares of our common stock may be issued upon the exercise or conversion of warrants, options, and shares of our Series A Senior Convertible Preferred Stock that have been issued or granted. On March 28, 2007, we had options outstanding to purchase 14,266,486 shares of our common stock at a weighted average exercise price of $6.17 per share and warrants outstanding to purchase 500,000 shares of our common stock at an exercise price of $6.00 per share. We also had warrants outstanding at March 28, 2007, to purchase 1,935,990 shares of our common stock for $0.01 per share pursuant to the Warrant Agreement, dated July 17, 2006, among the Company and the initial purchasers of our senior notes. In addition, in March 2007, we issued 355,000 shares of Series A Senior Convertible Preferred Stock at a price of $1,000 per share of convertible preferred stock in a private offering to investment funds and other institutional investors, as well as shareholders of the Company, including NextWave Wireless Chairman and CEO, Allen Salmasi, and from Douglas Manchester, a member of the NextWave Wireless Board of Directors and Avenue Capital Group, of which Robert T. Symington, a member of the NextWave Board, is a portfolio manager. The Series A Senior Convertible Preferred Stock is convertible into shares of our common stock upon election of the holders at any time and at our election under certain circumstances. If all shares of Series A Senior Convertible Preferred Stock were converted, we would be obligated to issue 32.1 million shares of our common stock.

The exercise of these derivative instruments or the conversion of the convertible preferred stock into common stock may result in significant dilution to our current stockholders. In addition, sales of large amounts of common stock in the public market upon exercise or conversion could materially adversely affect the share price.

In addition, we may need to raise additional funds to fund our operations, to pay for an acquisition or to enter into a strategic alliance, and we might use equity securities, debt, cash, or a combination of the foregoing. If we use equity securities, our stockholders may experience dilution. A significant amount of our common stock coming on the market at any given time could result in a decline in the price of our common stock or increased volatility.

Our operating results are subject to substantial quarterly and annual fluctuations and to market downturns.

We believe that our future operating results over both the short- and long-term will be subject to annual and quarterly fluctuations due to several factors, some of which are outside management’s control. These factors include:

- significant research and development costs;
- research and development issues and delays;
- the financial results of our PacketVideo subsidiary;
- spectrum acquisition costs;
- manufacturing issues and delays;
- fluctuating market demand for WiMAX services;
- impact of competitive products, services and technologies;
- changes in the regulatory environment;

- the cost and availability of network infrastructure; and
- general economic conditions.

These factors affecting our future operating results are difficult to forecast and could harm our quarterly or annual operating results and the prevailing market price of our securities. If our operating results fail to meet the financial guidance we provide to investors or the expectations of investment analysts or investors in any period, securities class action litigation could be brought against us and/or the market price of our securities could decline.

If the ownership of our common stock continues to be highly concentrated, it may prevent you and other stockholders from influencing significant corporate decisions and may result in conflicts of interest that could cause the price of our common stock to decline.

Allen Salmasi, our executive officers and other members of our Board of Directors beneficially own or control approximately 54.6% of our common stock as of March 28, 2007. Accordingly, Mr. Salmasi and the other members of the Board of Directors will be able to significantly influence matters that require stockholder approval, including the election of directors, any merger, consolidation or sale of all or substantially all of our assets or other significant corporate transactions. Our controlling stockholders may have interests that differ from your interests and may vote in a way with which you may disagree and which may be adverse to your interests. Corporate action may be taken even if other stockholders oppose them. These stockholders may also delay or prevent a change of control of us, even if that change of control would benefit our other stockholders, which could deprive our stockholders of the opportunity to receive a premium for their shares. The significant concentration of ownership of our common stock may adversely affect the trading price of our common stock due to investors' perception that conflicts of interest may exist or arise.

If securities or industry analysts do not publish research or reports about our business, if they change their recommendations regarding our shares adversely or if our operating results to not meet their expectations, the price of our common stock could decline.

The trading market for our common stock will be influenced by the research and reports that industry and securities analysts publish about us or our business. If these analysts fail to publish reports about us or if one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause the price of our common stock to decline. Moreover, if one or more analysts who cover us downgrade our common stock or if our operating results do not meet their expectations, the price of our common stock could decline.

The market price for our common stock may be volatile, which could cause the value of your investment to decline.

The stock market in general, and the stock prices of technology and wireless communications companies in particular, have experienced volatility that often has been unrelated to the operating performance of any specific public company. Factors that may have a significant impact on the market price of our common stock include:

- announcements concerning us or our competitors, including the selection of mobile WiMAX wireless communications technology by telecommunications providers and the timing of the roll-out of those systems;
- receipt of substantial orders or order cancellations for integrated circuits and system software products for mobile WiMAX networks by us or our competitors;
- quality deficiencies in technologies, products or services;
- announcements regarding financial developments or technological innovations;
- our ability to remediate the material weakness in internal controls over financial reporting identified in connection with our restatement of revenues of our PacketVideo subsidiary;
- international developments, such as technology mandates, political developments or changes in economic policies;

- lack of capital to invest in WiMAX networks;

- new commercial products;
- changes in recommendations of securities analysts;
- government regulations, including FCC regulations governing spectrum licenses;
- earnings announcements;
- proprietary rights or product or patent litigation;
- strategic transactions, such as acquisitions and divestitures; or
- rumors or allegations regarding our financial disclosures or practices.

Our share price may be subject to volatility, particularly on a quarterly basis. Shortfalls in our revenues or earnings in any given period relative to the levels expected by securities analysts could immediately, significantly and adversely affect the trading price of our common stock.

From time to time, we may repurchase our common stock at prices that may later be higher than the market value of the share on the repurchase date. This could result in a loss of value for stockholders if new shares are issued at lower prices.

In the past, securities class action litigation has often been brought against a company following periods of volatility in the market price of its securities. Due to changes in the volatility of the price of our common stock, we may be the target of securities litigation in the future. Securities litigation could result in substantial costs and divert management's attention and resources.

Provisions of our charter documents could delay or prevent an acquisition of our company, even if the acquisition would be beneficial to holders of our common stock, and could make it more difficult for you to change management.

Our Certificate of Incorporation and Bylaws contain provisions that could depress the trading price of our common stock by acting to discourage, delay or prevent a change of control of our company or changes in management that holders of our common stock might deem advantageous. Specific provisions in our Certificate of Incorporation and Bylaws include:

- our directors serve staggered, three-year terms and accordingly, pursuant to Delaware law, can only be removed with cause;
- no action can be taken by stockholders except at an annual or special meeting of the stockholders called in accordance with our bylaws, and stockholders may not act by written consent;
- our board of directors will be expressly authorized to make, alter or repeal our bylaws, and our stockholders will be able to make, alter or repeal our bylaws by a vote of 66-2/3% of the issued and outstanding voting shares;
- any vacancies on the board of directors would be filled by a majority vote of the board;

- our board of directors will be authorized to issue preferred stock without stockholder approval; and

- we will indemnify officers and directors against losses that they may incur in investigations and legal proceedings resulting from their services to us, which may include services in connection with takeover defense measures.

As a result of the provisions of our Certificate of Incorporation and Bylaws, the price investors may be willing to pay in the future for our common stock may be limited.

SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

This registration statement and other reports, documents and materials we will file with the Securities and Exchange Commission (the "SEC") contain, or will contain, disclosures that are forward-looking statements that are subject to risks and uncertainties. All statements other than statements of historical facts are forward-looking statements. These statements, which represent our expectations or beliefs concerning various future events, may contain words such as "may," "will," "expects," "anticipates," "intends," "plans," "believes," "estimates," or other words of similar meaning in co with any discussion of the timing and value of future results or future performance. These forward-looking statements are based on the current plans and expectations of our management and are subject to certain risks, uncertainties (some of which are beyond our control) and assumptions that could cause actual results to differ materially from historical results or those anticipated. These risks include, but are not limited to:

- our limited relevant operating history;
- our ability to remediate the material weakness in internal controls over financial reporting identified in connection with our restatement of revenues of our PacketVideo subsidiary;
- our ability to manage growth or integrate recent or future acquisitions;
- competition from alternative wireless technologies and other technology companies;
- our ability to develop and commercialize mobile broadband products and technologies;
- the ability of vendors to manufacture commercial WiMAX equipment and devices;
- consumer acceptance of WiMAX technology;
- PacketVideo's ability to grow its resources to support larger numbers of device manufacturers and wireless carriers;
- changes in government regulations;
- changes in capital requirements;
- any loss of our key executive officers; and
- the other risks described under "Risk Factors."

There may also be other factors that cause our actual results to differ materially from the forward looking statements.

Because of these factors, we caution you that you should not place any undue reliance on any of our forward-looking statements. These forward-looking statements speak only as of the date of this registration statement and you should understand that those statements are not guarantees of future performance or results. New risks and uncertainties arise from time to time, and it is impossible for us to predict those events or how they may affect us. Except as required by law, we have no duty to, and do not intend to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

USE OF PROCEEDS

We are registering these shares pursuant to the registration rights granted to the selling stockholders in our recent private placement. We will not receive any proceeds from the resale of our common stock under this offering. We have, however, received gross proceeds of approximately \$297.5 million from the issuances of the senior secured notes and the warrants in the July 2006 private placement. Net proceeds were \$295.0 million after deducting all fees and expenses of the July 2006 private placement and this offering, which totaled \$2.5 million. The entire proceeds were used for the acquisition of WCS Wireless, Inc. for \$160.5 million, the acquisition of two new EBS leases for \$22.1 million, and for the majority of our acquisition of 154 AWS licenses for \$115.6 million.

We may receive proceeds from the issuance of shares of common stock upon exercise of warrants if any of the warrants are exercised for cash. We estimate that we may receive up to an additional \$41,103.82. We intend to use any proceeds that we may receive from the issuance of shares of our common stock upon exercise of warrants to meet our working capital needs and for general corporate purposes.

If the warrants issued in connection with the July 2006 private placement are exercised pursuant to their cashless exercise provision, we will not receive any additional proceeds from such exercise.

DIVIDEND POLICY

We have never declared or paid cash dividends on our common stock. We do not anticipate paying any cash dividends on our common stock in the foreseeable future. In addition, we can not pay any cash dividend on our common stock without the prior written consent of at least seventy-five percent (75%) of the outstanding shares of our Series A Preferred Stock, for so long as at least twenty-five percent (25%) of the issued shares of the Series A Preferred Stock remain outstanding. We intend to retain all available funds and any future earnings to reduce debt and fund the development and growth of our business.

CAPITALIZATION

The following table sets forth our cash, cash equivalents and capitalization as of December 30, 2006. This table should be read in conjunction with “Use of Proceeds,” “Selected Historical Financial Data,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the related notes thereto included elsewhere in this prospectus.

(in thousands, except par value data)		**At December 30, 2006**
Cash and cash equivalents	$	32,980
Long-term obligations, net of current portion	$	298,030
Convertible preferred stock (1)		—
Stockholders’ Equity:		
Preferred stock, $0.001 par value, 25,000 shares authorized; no shares issued and outstanding, actual (1)		—
Common stock, $0.001 par value, 400,000 shares authorized; 83,716 and 85,715 issued and outstanding, respectively		84
Additional paid-in capital		620,430
Common stock in treasury, at cost, 1 share		(7)
Accumulated other comprehensive loss		(357)
Accumulated deficit		(150,972)
Total stockholders’ equity		469,178
Total capitalization	$	767,208

(1) On March 28, 2007, we issued and sold 355,000 shares of our Series A Senior Convertible Preferred Stock (the “Series A Preferred Stock”) at a price of $1,000 per share. We received $351.0 million in net proceeds from the sale of the Series A Preferred Stock. The Series A Preferred Stock has a mandatory redemption on March 28, 2017.

SELECTED FINANCIAL DATA

You should read the following selected financial data together with the information under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited consolidated financial statements and the notes to those financial statements included elsewhere in this registration statement.

The following selected consolidated statement of operations data for the year ended December 30, 2006 and for the period from the date of our inception as a new wireless technology company pursuant to the plan of reorganization of Old NextWave Wireless described below (April 13, 2005) to December 31, 2005 and selected consolidated balance sheet data as of December 30, 2006 and December 31, 2005 was derived from our audited consolidated financial statements and should be read in conjunction with our audited consolidated financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this registration statement.

(in thousands, except per share data)		Year Ended December 30, 2006 (1) (2)		Inception (April 13, 2005) to December 31, 2005 (3)
Consolidated Statement of Operations Data:				
Revenues	$	24,284	$	4,144
Loss from operations		(98,526)		(55,687)
Net loss		(105,020)		(45,952)
Basic and diluted net loss per common share	$	(1.28)	$	(4)
Consolidated Balance Sheet Data:				
Cash, cash equivalents and short-term investments	$	200,685	$	459,231
Restricted cash (5)		75,000		—
Wireless spectrum licenses, net		527,998(6)		45,467
Goodwill		32,184		24,782
Other intangible assets, net		18,570		18,100
Total assets		897,079		579,774
Long-term obligations, net of current portion (5)		298,030		14,934
Convertible preferred stock (7)		—		—
Total shareholders' equity(1)		469,178		—
Total members' equity(1)		—		539,364

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(1) On November 13, 2006, NextWave completed a corporate conversion merger, whereby a wholly-owned subsidiary of NextWave Wireless Inc. was merged with and into NextWave Wireless LLC ("Corporate Conversion Merger"). As a result of the merger, NextWave Wireless LLC became a wholly-owned subsidiary of NextWave Wireless Inc. Under the terms of the merger agreement, NextWave Wireless Inc. issued shares of its common stock to holders of NextWave Wireless LLC's membership units in exchange for all of the outstanding membership units of NextWave Wireless LLC, with NextWave Wireless LLC unitholders receiving one share of NextWave Wireless Inc. common stock for each six membership units of NextWave Wireless LLC that they held.

(2) Effective January 1, 2006, we changed our fiscal year end and quarterly reporting periods from quarterly calendar periods ending on December 31 to a 52-53 week fiscal year ending on the Saturday nearest to December 31 of the current calendar year or the

following calendar year.

(3) On April 13, 2005, pursuant to the plan of reorganization of the NextWave Telecom group, our equity securities were distributed to the NTI equity holders and we were reconstituted as a company with a new capitalization and a new wireless technology business plan. A summary of the assets and liabilities contributed to us on April 13, 2005 is provided in the Notes to Consolidated Financial Statements included elsewhere in this registration statement. For more information on our emergence as a new wireless technology company, see “Business-Our History.”

(4) Loss per share information is not presented for the period from inception (April 13, 2005) to December 31, 2005 as it would not be meaningful due to the Corporate Conversion Merger.

(5) On July 17, 2006, NextWave issued 7% Senior Secured Notes due 2010 (the “Notes”) in the aggregate principal amount of $350.0 million. The Notes were issued at a fifteen percent (15%) original issue discount, resulting in gross proceeds of $297.5 million. NextWave is required to maintain a minimum balance of $75.0 million in cash or cash equivalents from funds other than the proceeds of the Notes in a restricted collateral account at all times while the Notes remain outstanding.

(6) The increase in wireless spectrum licenses, net, during 2006, includes our July 2006 acquisition of WCS Wireless, Inc. which resulted in the addition of $236.4 million of wireless spectrum licenses. The value assigned to the wireless spectrum includes the cash purchase price of $160.5 million, legal costs of $0.1 million, and $75.8 million in associated deferred tax. We also acquired other licensed spectrum rights for $245.0 million in cash and $4.0 million through the assumption of lease liabilities. These additions were reduced by amortization during 2006 of $2.9 million.

(7) On March 28, 2007, we issued and sold 355,000 shares of our Series A Senior Convertible Preferred Stock (the “Series A Preferred Stock”) at a price of $1,000 per share. We received $351.0 million in net proceeds from the sale of the Series A Preferred Stock. The Series A Preferred Stock has a mandatory redemption on March 28, 2017.

EXPLANATORY NOTE

NextWave Wireless Inc. (“Old NextWave Wireless”) was formed in 1996 as a wholly owned operating subsidiary of NextWave Telecom, Inc. (“NTI”), which sought to develop a nationwide CDMA-based personal communication services (“PCS”) network. In 1998, Old NextWave Wireless, together with NTI and its other subsidiaries (the “NextWave Telecom group”), filed for protection under Chapter 11 of the United States Bankruptcy Code. In December 2004, Old NextWave Wireless was converted from a corporation to a limited liability company.

On March 1, 2005, the Bankruptcy Court confirmed the plan of reorganization of the NextWave Telecom group. The cornerstone of the plan was the sale of NTI and its subsidiaries, excluding Old NextWave Wireless, to Verizon Wireless for approximately $3.0 billion. With the proceeds of the Verizon Wireless sale, as well as proceeds of prior PCS spectrum license sales to Cingular Wireless, Verizon Wireless and MetroPCS, all creditors of the NextWave Telecom group were paid in full and the NTI equity holders received an aggregate cash distribution of approximately $2.6 billion. In addition, the plan provided for the capitalization and distribution to the NTI equity holders of a new wireless technology company that would bear the NextWave name. Pursuant to the plan, on April 13, 2005, the NextWave Telecom group abandoned substantially all of its PCS assets other than the spectrum licenses, all remaining non-PCS assets and liabilities were contributed to Old NextWave Wireless, and Old NextWave Wireless was capitalized with $550 million in cash. Immediately thereafter, membership interests in our company were distributed to the NTI equity holders. Through this process, Old NextWave Wireless was reconstituted as a company with a new capitalization and a new wireless technology business plan.

Unless the context indicates otherwise, all references in this registration statement to NextWave, the Company, we, us and our refer to NextWave Wireless Inc. and its direct and indirect subsidiaries. References to Old NextWave Wireless refer to our existence as a company conducting a separate line of business prior to April 13, 2005.

Since our emergence as a new wireless technology company, we have made several strategic investments and acquisitions, most significantly the acquisition of PacketVideo Corporation, a developer of embedded multimedia software products for mobile phones. Our spectrum portfolio, including 154 AWS licenses for which we were declared high bidder at a recent FCC auction, covers approximately 247 million persons, or POPs, across the U.S., of which licenses covering 136.4 million POPs are covered by 20 MHz or more of spectrum, and licenses covering an additional 96 million POPs are covered by at least 10 MHz of spectrum. In addition, a number of markets, including licenses covering 11.9 million POPs in New York, are covered by 30 MHz or more of spectrum.

Our shares are currently quoted on The Nasdaq Global Market under the ticker symbol “WAVE”. On November 13, 2006, we implemented a new corporate holding company structure in order to facilitate the planned Nasdaq listing. The holding company structure was implemented through the merger of a wholly-owned subsidiary of NextWave Wireless Inc. with and into NextWave Wireless LLC. As a result of this corporate conversion merger, we issued 82,212,000 shares of our common stock to holders of NextWave Wireless LLC’s membership units in exchange for all of the outstanding membership units of NextWave Wireless LLC, with NextWave Wireless LLC unitholders receiving one share of our common stock for every six membership units of NextWave Wireless LLC that they hold. Each holder of NextWave Wireless LLC’s limited liability interests own the same percentage of the outstanding equity of the Company before and immediately after the corporate conversion merger.

The organizational chart below provides a summary depiction of our structure after giving effect to the reorganization, our organizational activities and acquisitions and the corporate conversion merger. For more information on the history of our company see “Business-Our History.”

This registration statement contains certain technical terms relating to the wireless industry. For an explanation of such technical terms, see "Glossary of Selected Wireless Terminology" beginning on page 108.

"NextWave Wireless", "PacketVideo", "CYGNUS Communications", "GO Networks", "IBridge" and the NextWave, CYGN and PacketVideo logos are our trademarks. Other service marks, trademarks and trade names referred to in this registration statement are the property of their respective owners. As indicated in this registration statement, we have included market data and industry information and forecasts that were obtained from industry publications.

INDUSTRY AND MARKET DATA

In this registration statement, we rely on and refer to information regarding market data obtained from internal surveys, market research, publicly available information and industry publications. Unless otherwise noted, data relating to persons of population, or POPs, is derived from information provided by Applied Geographic Solutions Inc. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. Although we believe the information is reliable, we cannot guarantee the accuracy or completeness of the information and have not independently verified it.

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

In addition to historical information, the following discussion contains forward-looking statements that are subject to risks and uncertainties. Our actual results could differ substantially from those anticipated by such forward-looking information due to a number of factors, including but not limited to risks described in the section entitled Risk Factors and elsewhere in this registration statement. Additionally, the following discussion and analysis should be read in conjunction with the consolidated financial statements and the notes thereto included elsewhere in this registration statement.

OVERVIEW

Corporate Conversion Merger

In order to convert NextWave Wireless LLC into a corporate form, the Board of Directors and a majority in interest of the holders of NextWave Wireless LLC membership units approved the merger of NextWave Wireless LLC with a wholly owned subsidiary of a newly formed Delaware corporation, NextWave Wireless Inc. On November 13, 2006, the corporate conversion merger was completed and NextWave Wireless LLC became a wholly-owned subsidiary of NextWave Wireless Inc. Under the terms of the merger agreement, NextWave Wireless Inc. issued shares of its common stock to holders of NextWave Wireless LLC's membership units in exchange for all of the outstanding membership units of NextWave Wireless LLC, with NextWave Wireless LLC unitholders receiving one share of NextWave Wireless Inc. common stock for every six membership units of NextWave Wireless LLC that they held. Following the corporate conversion merger, NextWave Wireless LLC's obligation to file periodic reports under the Securities Exchange Act of 1934 was suspended, and NextWave Wireless Inc. became the successor to NextWave Wireless LLC for Securities and Exchange Commission reporting purposes.

Inception of NextWave Wireless LLC

NextWave Wireless Inc. ("Old NextWave Wireless") was formed in 1996 as a wholly-owned subsidiary of NextWave Telecom Inc. ("NTI") which sought to develop a nationwide CDMA-based personal communication services ("PCS") network. Pursuant to the plan of reorganization of NTI and its subsidiaries, NTI and its subsidiaries, excluding Old NextWave Wireless, were sold to Verizon Wireless for approximately $3.0 billion. Prior to this sale, on April 13, 2005, the NextWave Telecom Group abandoned substantially all of its PCS assets other than the spectrum licenses and all remaining non-PCS assets and liabilities were contributed to Old NextWave Wireless. Immediately thereafter, membership interests in NextWave Wireless LLC (together with its subsidiaries, "NextWave") were distributed to the NTI equity holders and Old NextWave Wireless was capitalized with $550.0 million in cash. Through this process, Old NextWave Wireless was reconstituted as a company with a new capitalization and a new wireless technology business plan.

Our Business

We are an early stage wireless technology company engaged in the development of next-generation mobile broadband and wireless multimedia products, technologies and services. During 2006 all of our revenues were derived from the sale of device-embedded multimedia software solutions by our PacketVideo subsidiary, which was acquired in July 2005. While we expect to continue to grow and expand our multimedia software business, we expect that, following the development of our WiMAX products and technologies, the majority of our revenues will ultimately be derived from the sale and licensing, to network infrastructure and mobile terminal manufacturers of the chipsets, network components and device technologies based on WiMAX and Wi-Fi technologies that we are developing.

Our revenues for 2006 totaled $24.3 million compared to revenues of $4.1 million that were recognized during the period from inception (April 13, 2005) to December 31, 2005. Our net loss for 2006 totaled $105.0 million compared to our net loss for the period from inception (April 13, 2005) to December 31, 2005 which totaled $46.0 million. Our net losses for 2006 included $5.2 million of total share-based compensation expense, including employee share-based compensation expense related to the adoption of SFAS 123(R) on January 1, 2006, compared to $1.1 million in non-employee share-based compensation for the period from inception (April 13, 2005) to December 31, 2005.

At present, a significant percentage of our employees are assigned to the Advanced Technology Group, a division of our NextWave Broadband subsidiary, and are directly engaged in the design, development, and commercialization of a family of semiconductor and network component products, based on WiMAX and Wi-Fi technologies including digital baseband ASICs and multi-band RFICs. In addition, our Advanced Technology Group is focused on developing technologies such as advanced antenna systems and advanced cognitive radios that we believe will help stimulate sales of our suite of WiMAX/Wi-Fi products. All of our WiMAX semiconductor products and technologies are in an early stage of development.

To conserve capital we intend to outsource the production of our semiconductors to third-party chip manufacturers that can rapidly scale production volumes to meet our future needs. We plan to license our reference designs to third party vendors. By adopting this approach, we will be able to continue investing in the research and development needed over the next several years to fully commercialize our technologies and semiconductor designs. Although we expect most of our WiMAX semiconductors and products to incorporate the proprietary, performance improving technologies we are currently developing, we intend our products to be WiMAX Forum certified to ensure full interoperability with WiMAX certified products and systems being developed by other companies.

The success of our WiMAX semiconductor and product business will be reliant on market acceptance of WiMAX as a competitive wireless broadband technology and on our ability to differentiate our WiMAX products from those offered by competitors. To help accelerate global market adoption of WiMAX and to showcase the competitive strength of our WiMAX mobile broadband and wireless multimedia products, we intend to make our significant spectrum holdings available to Internet service providers, cable operators, satellite television companies, content developers, existing wireless service providers and other companies interested in deploying, on individual or joint basis, WiMAX networks that utilize our mobile broadband and wireless multimedia technologies.

Our PacketVideo subsidiary supplies device embedded multimedia software to many of the largest manufacturers of high-end mobile phones in the world including LGE, Motorola, Nokia, Sony Ericsson, and Samsung. PacketVideo's software enables a mobile handset to stream, download, and play video and music, receive live TV, or engage in two way video telephony. PacketVideo's continued growth will be reliant on its ability to continue offering superior software solutions to its customers and on the continued growth of the global market for high-end mobile phones and other converged devices. PacketVideo's revenues are currently generated from royalties associated with the licensing of its software products, based on units sold, and by providing its customers with customized software development services on a contract basis. During 2006, 75% of PacketVideo's revenues collected were based units shipped by the licensee. We expect this percentage to increase over time based on the anticipated growth in the global market for devices having multimedia capabilities.

Change in Fiscal Year End

Effective January 1, 2006, we changed our fiscal year end and quarterly reporting periods from quarterly calendar periods ending on December 31 to a 52-53 week fiscal year ending on the Saturday nearest to December 31 of the current calendar year or the following calendar year. Normally, each fiscal year consists of 52 weeks, but every five or six years the fiscal year consists of 53 weeks. Fiscal year 2006 is a 52-week year ending on December 30, 2006 and the first 53-week year will occur in 2009.

Fiscal Year Ended December 30, 2006 Compared to the Period From Inception (April 13, 2005) to December 31, 2005

Revenues. Revenues for 2006 were $24.3 million compared to $4.1 million for the period from inception (April 13, 2005) to December 31, 2005, an increase of $20.2 million. The increase in revenue resulted primarily from unit sales growth and market penetration of mobile subscriber services by PacketVideo's customer base, which includes wireless operators and device manufacturers, and from higher contract revenues from our PacketVideo subsidiary, which resulted from growth in technology development contracts, addressing an increasing number of wireless devices in which PacketVideo technology is embedded, in addition to the inclusion of PacketVideo's revenues for a full twelve months in 2006. Additionally, certain revenues reported by PacketVideo licensees during the period from our acquisition in July 2005 to December 31, 2005, were not recognizable by us under EITF 01-3, "Accounting in a Business Combination for Deferred Revenue of an Acquiree," as these represented customer revenues that were generated prior to our acquisition of PacketVideo.

In general, the financial consideration received from wireless carriers and mobile phone and wireless device manufacturers is derived from a combination of technology development contracts and royalties.

Since our inception in April 2005, substantially all of our revenues have been generated by our PacketVideo subsidiary, which we acquired in July 2005. We believe that PacketVideo will continue to account for a substantial portion of our revenues until we complete the development and commercialization of our wireless broadband products and technologies by the Advanced Technology Group of NextWave and the mobile Wi-Fi network solutions of GO Networks, Inc. which we acquired in February 2007. Following the development and commercialization of our wireless broadband products and technologies, we believe that the sale or licensing of our proprietary chipsets, network components and device technologies will become an additional source of recurring revenue.

We expect that future revenues will be affected by, among other things, new product and service introductions, competitive conditions, customer marketing budgets for introduction of new subscriber products, the rate of expansion of our customer base, the build out rate of networks that utilize our WiFi and WiMAX technologies, price increases, subscriber device life cycles, demand for wireless data services and acquisitions or dispositions of businesses or product lines.

Operating Expenses

(in millions)	Year Ended December 30, 2006	Inception (April 13, 2005) to December 31, 2005	Increase (Decrease)
Cost of revenues	$ 12.1	$ 4.6	$ 7.5
Engineering, research and development	52.8	17.3	35.5
General and administrative	51.5	15.3	36.2
Sales and marketing	10.0	3.0	7.0
Business realignment costs	(7.1)	13.0	(20.1)
Purchased in-process research and development	3.5	6.6	(3.1)
Total operating expenses	$ 122.8	$ 59.8	$ 63.0

Cost of Revenues. The increase in cost of revenues for our PacketVideo subsidiary during 2006 includes higher amortization expenses of $0.9 million for the purchase of intangible assets related to the acquisition of PacketVideo, resulting from a full year of amortization in 2006. Cost of revenues includes direct engineering labor expenses, allocated overhead costs, costs associated with offshore contract labor costs, other direct costs related to the execution of technology development contracts as well as amortization of acquired software and other costs.

We believe that cost of revenues as a percentage of revenue for future periods will be affected by, among other things, the integration of acquired businesses in addition to sales volumes, competitive conditions, royalty payments by us on licensed technologies, changes in average selling prices, and our ability to make productivity improvements.

Engineering, Research and Development. Costs for the internal and external development of our wireless broadband products and technologies, including our chipsets, for 2006 were $41.4 million compared to $15.0 million for the period from inception (April 13, 2005) to December 31, 2005, an increase of $26.4 million which is due primarily to the expansion of the engineering development organization and inclusion of expenses for a full twelve months in 2006.

Costs for the internal and external development of our PacketVideo software for 2006 were $11.4 million compared to $2.3 million for the period from inception (April 13, 2005) to December 31, 2005, an increase of $9.1 million, which is due primarily to the inclusion of expenses for a full twelve months in 2006, additional 2006 acquisitions by PacketVideo and an increase in headcount in the engineering development organization.

Share-based compensation for 2006 totaled $2.1 million.

Largely due to our planned increase in engineering personnel to further our WiMAX related and other technology development initiatives, we expect our engineering, research and development expenses to increase over the next twelve months.

General and Administrative. NextWave and PacketVideo accounted for $33.2 million and $3.0 million of the increase in 2006, respectively. These increases, which are affected by the inclusion of expenses for a full twelve months in 2006, are comprised primarily of increased spending for compensation and associated costs of general and administrative personnel of $24.6 million, professional fees of $6.2 million, losses incurred by our strategic investment of $1.3 million, amortization of intangible assets of $1.4 million, and share-based compensation of $2.7 million.

We expect that general and administrative costs will increase in absolute terms as we hire additional personnel and incur costs related to the anticipated growth of our business and our global operations. We also expect an increase in our general and administrative expenses to occur as a result of our efforts to develop and protect intellectual property rights, including expenses associated with the identification and documentation of intellectual property, the preparation and prosecution of patent applications and as we incur additional expenses associated with being a publicly traded company, including expenses associated with comprehensively analyzing, documenting and testing our system of internal controls and maintaining our disclosure controls and procedures as a result of the regulatory requirements of the Sarbanes-Oxley Act.

Sales and Marketing. PacketVideo and NextWave accounted for $4.9 million and $2.1 million of the increase in 2006, respectively. The increases are comprised primarily of increased spending for compensation and associated costs for marketing and sales personnel of $6.1 million, share-based compensation of $0.3 million, expenses associated with marketing and promotional activities of $0.3 million, and amortization expenses related to intangible assets of $0.3 million.

We expect sales and marketing expenses to increase in absolute terms with the growth of our business in the upcoming year, primarily from our PacketVideo business and from our GO Networks business which was acquired in February 2007. Additionally, as we achieve full commercial deployment of our wireless broadband technologies and products, we will increase sales and marketing expenses both in absolute terms, and as a percentage of revenue at NextWave Broadband, Inc.

Business Realignment Costs. Business realignment costs for the period from inception (April 13, 2005) to December 31, 2005 were $13.0 million and include non-cash impairment costs of $5.9 million for certain hardware and service costs deemed to have no value in consideration of current technology and then-anticipated test site plans in Henderson, Nevada. The impairment loss recognized was equal to the carrying value of impaired assets. Additionally, we accrued $7.1 million related to minimum purchase obligations that we believed we would not utilize due to the then-anticipated technology and market trial plans in Henderson, Nevada. In the fourth quarter of 2006, we renegotiated this minimum purchase obligation with the vendor and reversed the 2005 accrual to reflect the reduction in the contractual obligation.

Purchased In-Process Research and Development Costs. In conjunction with our acquisition of CYGNUS in 2006, one of our small acquisitions during 2006 and our acquisition of PacketVideo in 2005, we purchased in-process research and development projects valued at $1.9 million, $1.6 million and $6.6 million, respectively. These amounts were expensed upon the respective dates of acquisition because the acquired technology had not yet reached technological feasibility and had no future alternative uses.

Interest Income. Interest income for 2006 was $12.5 million compared to $11.1 million for the period from inception (April 13, 2005) to December 31, 2005, an increase of $1.4 million, and consisted of interest earned during the respective periods on our unrestricted and restricted cash and investment balances, which totaled $275.7 million and $459.2 million at the end of 2006 and 2005, respectively.

Interest income in the future will be affected by changes in short-term interest rates and changes in our cash and investment balances, which may be materially impacted by development plans, acquisitions and other financial activities.

Interest Expense. Interest expense for 2006 was $20.6 million compared to $1.0 million for the period from inception (April 13, 2005) to December 31, 2005, an increase of $19.6 million. Our issuance of $350.0 million in principal amount of 7% Senior Secured Notes in July 2006 accounted for $19.2 million of the increase. The remainder of the increase of $0.4 million consists primarily of the accretion of discounted wireless spectrum license lease liabilities acquired in 2006.

Our interest expense will increase during 2007 due to the accrual of interest for a full year on our 7% Senior Secured Notes, amortization of the discount and debt issue costs related to our 7% Senior Secured Notes and interest accreted on our newly acquired spectrum lease liabilities. Interest expense will also increase during 2007 from the assumption of a loan in connection with the acquisition of GO Networks, Inc.

Provision for Income Taxes. The effective income tax rate for 2006 was 0.0%, resulting in no income tax provision in 2006 on our pre-tax loss of $106.7 million. The effective tax rate in 2006 was unfavorably impacted by the recording of $41.3 million of valuation allowance on the increase in our U.S. net deferred tax asset balance. The effective income tax rate for the period from inception (April 13, 2005) to December 31, 2005 was a negative 0.9%, resulting in an income tax provision of $0.4 million on our pre-tax loss of $45.7 million. The effective tax rate in 2005 was unfavorably impacted by the recording of $17.1 million of valuation allowance on the net increase in our U.S. deferred tax asset balance.

Minority Interest. Minority interest for 2006 was $1.6 million compared to $0.1 million for the period from inception (April 13, 2005) to December 31, 2005. Minority interest in 2006 primarily represents our minority partner’s share of losses in our Inquam Broadband joint venture formed in January 2006. Minority interest in 2005 represents minority shareholders’ share of losses in our CYGNUS subsidiary.

Liquidity And Capital Resources

Since our inception (April 13, 2005), we have incurred operating losses and negative cash flows and had an accumulated deficit of $151.0 million at December 30, 2006, consisting of $122.9 million and $28.1 million from NextWave and PacketVideo, respectively. We have funded our operations, strategic investments and wireless license acquisitions primarily with the $550.0 million in cash received in our initial capitalization in April 2005 and the net proceeds from the issuance of our 7% Senior Secured Notes in July 2006 of $295.0 million. Our total cash, cash equivalents and short-term investments at December 30, 2006 were $200.7 million.

The following table presents working capital, cash, cash equivalents and investments:

(in millions)	December 30, 2006	Decrease for the Year Ended December 30, 2006	December 31, 2005	Increase (Decrease) for the Period from Inception (April 13, 2005) to December 31, 2005	Inception (April 13, 2005)
Working capital	$ 166.3	$ (290.1)	$ 456.4	$ (96.3)	$ 552.7
Cash and cash equivalents	33.0	(60.6)	93.6	(461.5)	555.1
Short-term investments	167.7	(197.9)	365.6	365.6	—
Total cash, cash equivalents and investments	$ 200.7	$ (258.5)	$ 459.2	$ (95.9)	$ 555.1

The following table presents our utilization of cash, cash equivalents and short-term investments for the year ended December 30, 2006 compared to the period from inception (April 13, 2005) to December 31, 2005:

(in millions)	Year Ended December 30, 2006	Inception (April 13, 2005) to December 31, 2005
Beginning cash, cash equivalents and investments	$ 459.2	$ 555.1
Cash paid for acquisition of wireless spectrum licenses and subsequent lease obligations	(402.7)	(18.8)
Cash paid for business combinations, net of cash acquired	(8.4)	(51.1)
Proceeds from long-term obligations, net of costs to issue	295.0	—
Net payments to and changes in restricted investment account securing long-term obligations	(75.0)	—
Cash used by operating activities	(56.3)	(18.7)
Cash paid for property and equipment	(13.0)	(7.3)
Other, net	1.9	—
Ending cash, cash equivalents and investments	$ 200.7	$ 459.2

The decrease in cash, cash equivalents and investments of $258.5 million during 2006, primarily reflects $402.7 million paid for wireless spectrum licenses and subsequent lease obligations, our payment of $75.0 million into a restricted cash account to secure our 7% Senior Secured Notes, cash used in operating activities of $56.3 million, consisting of $57.8 million used by NextWave and our joint venture which was partially offset by $1.5 million in cash provided by PacketVideo operations, $13.0 million in cash paid for capital expenditures and $8.4 million paid for business combinations. These uses of cash were partially offset by the net proceeds from the issuance of our 7% Senior Secured Notes of $295.0 million.

The decrease in cash, cash equivalents and investments of $95.9 million during the period from inception (April 13, 2005) to December 31, 2005, primarily reflects $51.1 million in cash paid for our acquisition of PacketVideo and our joint venture investment, $18.8 million paid for wireless spectrum licenses and subsequent lease obligations, cash used in operating activities of $18.7 million, consisting of $15.2 million used by NextWave and our joint venture and $3.5 million used by PacketVideo, and $7.3 million in cash paid for capital expenditures.

In August 2006, we acquired WCS Wireless Inc., which holds spectrum covering the central, western, and northeastern United States, for $160.5 million. The $160.5 million purchase price for WCS was funded with a portion of the proceeds from our recently completed 7% Senior Secured Notes financing.

In July 2006, our subsidiary NextWave Wireless LLC issued 7% Senior Secured Notes due 2010 (the “Notes”) in the aggregate principal amount of $350.0 million. The Notes were issued at a fifteen percent (15%) original issue discount, resulting in gross proceeds of $297.5 million. We will be obligated to pay the Notes at their full face value of $350.0 million on July 17, 2010 and interest of 7% per annum, or $24.5 million, is payable semiannually in January and July each year commencing January 15, 2007. The original issue discount will provide the note purchasers with a yield that is in addition to the coupon rate upon repayment of the Notes. After the payment of transaction related expenses, we received net proceeds of $295.0 million available for the sole purpose of financing spectrum acquisitions and leases. The net proceeds from the Notes were used to acquire WCS Wireless, Inc. for $160.5 million, 154 spectrum licenses from the FCC aggregating $115.6 million and two new Educational Broadband Service (“EBS”) leases for $22.1 million.

The purchasers of the Notes were investment funds and other institutional investors, including affiliates of Avenue Capital Group, among others. Robert T. Symington, a member of our Board of Directors, is a Portfolio Manager at Avenue Capital Group. Neither Mr. Symington nor Avenue Capital Group or its affiliates received any compensation in connection with the financing. The Notes are guaranteed by certain of our subsidiaries, including NextWave Broadband and PacketVideo. In addition, NextWave Wireless Inc. guaranteed the Notes following the corporate conversion merger in November 2006. No scheduled principal payments will be due on the Notes before the maturity date of July 15, 2010. The Notes are pre-payable at our option at specified premiums to the principal amount that will decline over the term of the Notes from 105% to 100%, plus a make-whole amount applicable until July 17, 2008. The obligations under the Notes are secured by first priority liens on certain pledged equity interests, FCC licenses, spectrum leases, securities accounts, proceeds from any of the foregoing as well as proceeds derived in any way from foreign licenses. We are required to maintain $75.0 million in cash or cash equivalents from funds other than the proceeds of the Notes in a restricted collateral account at all times while the Notes remain outstanding. The purchase agreement contains representations and warranties, affirmative and negative covenants (including, without limitation, (i) our obligation to maintain in full force and effect our FCC licenses and spectrum leases, (ii) our obligation to use the note proceeds for the acquisition of spectrum, not to exceed $0.25 per MHz-POP, (iii) our obligation not to become liable to any additional indebtedness, subject to certain exceptions including the ability to enter into spectrum leases or to incur $25.0 million of acquired company debt or purchase money indebtedness and (iv) our obligation not to make restricted payments to holders of subordinated debt or equity securities, including cash dividends, that are customary in similar types of transactions. The purchase agreement also contains customary events of default and additional events of default including, the termination, cancellation or rescission of any FCC license owned or leased by us and necessary for our operation of a wireless communications system. At December 30, 2006, we were not in compliance with the types of investments required to be held in our restricted collateral account. This default was subsequently cured by us on our own accord and no waiver was required.

In connection with the Notes financing described above, we entered into a warrant agreement with the purchasers of the Notes whereby on November 13, 2006, we issued 4.1 million warrants to purchase shares of common stock. The warrants have an exercise price of $0.01 per share and are exercisable at any time from the date of issuance until July 15, 2009.

On March 28, 2007, we issued and sold 355,000 shares of our Series A Senior Convertible Preferred Stock (the “Series A Preferred Stock”) at a price of $1,000 per share. The Series A Preferred Stock was issued in a private placement transaction exempt from the registration requirements of the Securities Act of 1933. We received $351 million in net proceeds from the sale of the Series A Preferred Stock. The net proceeds will be used to fund operations, accelerate the development of new wireless technologies, expand the company’s business, and enable future strategic acquisitions. The purchasers of the Series A Preferred Stock include, in addition to other investment funds and institutional investors, Navation, Inc., an entity owned by Allen Salmasi, our Chairman and Chief Executive Officer, Manchester Financial Group, L.P., an entity indirectly owned and controlled by Douglas F. Manchester, a member of our Board of Directors, and affiliates of Avenue Capital, of which a member of our Board of Directors, Robert Symington, is a portfolio manager.

The Series A Preferred Stock has an initial liquidation preference of $1,000 per share, subject to increase for accrued dividends as described below. The liquidation preference would become payable upon redemption, as described below, upon a liquidation or dissolution of our company, or upon deemed liquidation events including a change in control, merger or sale of all or substantially all our assets, in which case the Series A Preferred Stock will be entitled to receive an amount per share equal to the greater of 120% of the liquidation preference or the amount that would have been received if such share had converted into common stock in connection with such deemed liquidation event.

Each share of Series A Preferred Stock is convertible into a number of shares of our common stock equal to the liquidation preference then in effect divided by $11.05 and is convertible at any time at the option of the holder, or at our election after the 18-month anniversary of issuance, subject to the trading price of our common stock reaching $22.10 for a specified period of time, subject to adjustment. We will not be entitled to convert the Series A Preferred Stock at our election unless a shelf registration statement covering the shares of common stock issued upon conversion is then effective or the shares are no longer considered restricted securities under the Securities Act.

The Series A Preferred Stock is entitled to receive quarterly dividends on the liquidation preference at a rate of 7.5% per annum. Until the fourth anniversary of issuance, we can elect whether to declare dividends in cash or to not declare and pay dividends, in which case the per share dividend amount will be added to the liquidation preference. From and after the fourth anniversary of issuance, we must declare dividends in cash each quarter, subject to applicable law. The dividend rate is subject to adjustment to 10% per annum if we default in our dividend payment obligations, or certain registration obligations. The dividend rate is subject to adjustment to 15% per annum if we fail to comply with the protective covenants of the Series A Preferred Stock described below and to 18% per annum if we fail to convert or redeem the Series A Preferred Stock when required to do so.

Pursuant to the terms of the Series A Preferred Stock, so long as at least 25% of the issued shares of Series A Preferred Stock remain outstanding, and until the date on which we elect to redeem all shares of Series A Preferred Stock in connection with an asset sale, as described below, we must receive the approval of the holders of shares representing at least 75% of the Series A Preferred Stock then outstanding to (i) incur indebtedness in excess of $500 million, subject to certain adjustments and exceptions, (ii) create any capital stock that is senior to or on a parity with the Series A Preferred Stock, or (iii) consummate asset sales involving the receipt of gross proceeds of, or the disposition of assets worth, $500 million or more. In addition, so long as at least 25% of the issued shares of Series A Preferred Stock remain outstanding, we may not distribute rights or warrants to all holders of our common stock entitling them to purchase shares of our common stock, or consummate any sale of our common stock, for an amount less than the fair market value on the date of issuance, with certain exceptions. With respect to other matters requiring stockholder approval, the shares of Series A Preferred Stock will be entitled to vote as one class with the common stock on an as-converted basis.

We will be required to redeem all outstanding shares of Series A Preferred Stock, if any, on March 28, 2017, at a price equal to the liquidation preference plus unpaid dividends. If we elect to convert the Series A Preferred Stock after our common stock price has reached the qualifying threshold, we must redeem the shares of holders of Series A Preferred Stock who elect not to convert into common stock at a price equal to 130% of the liquidation preference. However, we are not required to redeem more than 50% of the shares of Series A Preferred Stock subject to any particular conversion notice. In the event that we fail to obtain approval of the holders of Series A Preferred Stock to an asset sale transaction, we must either not consummate such asset sale or elect to redeem all shares of Series A Preferred Stock at a redemption price equal to 120% of the liquidation preference. Holders will be entitled to opt-out of such a redemption.

In 2005, in order to consolidate current operations from two leased facilities into one building, we entered into a purchase agreement to acquire a build-to-suit office building in Henderson, Nevada for $8.2 million, which included an allowance for the construction of related interior improvements. In addition, we planned to install furniture, fixtures and equipment costing approximately $3.6 million. This purchase agreement was amended in March 2007, reducing the cost of the building to $6.9 million (not including interior improvements) as the result of construction delay penalties. We expect to pay the $6.9 million in the second quarter of 2007. A separate agreement was entered into in March 2007 for the construction of the interior improvements in the amount of $2.6 million and further agreements will be entered into in the second quarter of 2007 for the acquisition of furniture, fixtures and equipment for approximately $1.9 million. Construction is expected to be completed during the second quarter of 2007, at which time we expect to occupy the facility and pay the remaining costs associated with occupancy.

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In September 2006, we were declared the winning bidder for 154 AWS spectrum licenses for an aggregate bid of $115.6 million. As of December 30, 2006, under a note agreement, we had loaned Inquam Broadband, our joint venture, $22.7 million to participate in a wireless spectrum auction in Germany. In December 2006, Inquam Broadband was declared the winning bidder for 28 wireless licenses in Germany for an aggregate cost of $23.1 million. In February 2007, we loaned Inquam Broadband an additional $5.8 million to participate in a spectrum auction in Switzerland and are currently awaiting notification from the Federal Office of Communication in Switzerland, which will determine if the license will be granted to Inquam Broadband for the minimum concession.

We also have the option to acquire a 51% interest in a subsidiary of Inquam-BMR GP, the holder of the remaining 49% interest in our Inquam Broadband joint venture, for 9.7 million Euros ($12.7 million at December 30, 2006). The option price is subject to adjustment for changes in liabilities or subsequent funding provided to the subsidiary by Inquam Broadband. The option expires on the later of April 18, 2007 or the 12th business day following the announcement of the outcome of the Swiss auction described below. At any time prior to the expiration of the option in April 2007, Inquam-BMR GP has the right to purchase an interest between 25% and 49% in the note agreement, at which time both Inquam-BMR GP’s and our note interests would simultaneously convert into ordinary shares of Inquam Broadband on a pro rata basis. In lieu of this right and at any time prior to the expiration of the option, Inquam-BMR GP has the right to require us to purchase all Inquam Broadband shares then held by Inquam-BMR GP for 1,000 Euros per share ($2.1 million at December 30, 2006). In the event that Inquam-BMR GP does not exercise either of these rights prior to the expiration of our option on the date referenced above, we must elect to either convert the note into shares of Inquam Broadband equal to the note amount divided by 1,000 or purchase all Inquam Broadband shares then held by Inquam-BMR GP for 1,000 Euros per share ($2.1 million at December 30, 2006).

In December 2006, our PacketVideo subsidiary signed a share purchase agreement to acquire all of the shares of SDC Secure Digital Container AG for cash of $19.0 million. The acquisition was completed in January 2007.

In February 2007, NextWave acquired all of the outstanding common stock and warrants of GO Networks, Inc., for $13.2 million plus the assumption of $6.7 million in debt, of which $1.3 million was paid at closing. Additional purchase consideration of up to $25.7 million may be paid in shares of NextWave common stock, subject to the achievement of certain operational milestones in the 18-month period subsequent to the closing of the acquisition. NextWave also adopted the GO Networks Employee Stock Bonus Plan, whereby certain employees may receive up to an aggregate of $5.0 million in shares of NextWave common stock upon the achievement of certain operational milestones in the 18-month period subsequent to the closing of the acquisition.

In March 2007, NextWave acquired all of the outstanding shares of common stock of 4253311 Canada Inc., a Canadian company. The total cost of the acquisition is expected to be approximately $26.0 million in cash. The assets of the company are comprised almost entirely of wireless spectrum.

In April 2007, we signed a definitive agreement to acquire IPWireless Inc. for $25.0 million in cash plus $75.0 million in our common stock. Additional consideration of up to $135.0 million will be paid based on the achievement of certain revenue milestones between 2007 and 2009, as specified in the agreement, with potential payments of up to $50.0 million in late 2007 or 2008, up to $7.5 million in 2008, up to $24.2 million in 2009 and up to $53.3 million in 2010. If earned, up to $114.0 million of such additional consideration is payable in cash or shares of common stock at our election and up to $21.0 million of such amounts are payable in cash or shares of common stock at the election of representatives of IPWireless shareholders. The acquisition of IPWireless remains subject to various standard closing conditions, including Hart-Scott-Rodino and Nasdaq listing approvals, and is expected to close in the second quarter of 2007.

As of December 30, 2006, we had $200.7 million of unrestricted cash, cash equivalents and short-term investments, and $75.0 million in restricted investments required to be reserved under our Notes financing.

Since our emergence as a wireless technology company, we have consummated transactions to acquire licensed spectrum rights, including subsequent lease obligations, for amounts totaling $451.9 million. These transactions include our recent acquisition of Canadian licenses for $19.5 million paid and approximately $6.5 million held in escrow the acquisition of German licenses by Inquam Broadband for $23.1 million, our acquisitions of 154 AWS spectrum licenses totaling $115.6 million, the WCS licenses from Bal-Rivgam, LLC for $56.9 million, and WCS Wireless Inc., for $160.5 million. The Bal-Rivgam acquisition agreement provides that $21.9 million of the proceeds of the purchase would be deposited into escrow until January 2008 to cover any liabilities stemming from Bal-Rivgam’s ownership of the licenses prior to closing, claims resulting from breaches of representations or warranties and certain claims under the spectrum licenses.

We are currently unable to project when our chipsets and network components based on WiMAX and Wi-Fi technologies will be commercially deployed and generate revenue. However, we believe that our current revenues, cash and short-term investments and financing activities will be sufficient to fund our operating activities at least through 2008.

- We plan to fund our wireless broadband technology development activities with our unrestricted cash and investments and net proceeds from the sale of preferred stock until such point that we begin sales of our chipsets and network component products and enter into licensing arrangements for our wireless broadband technologies. Our wireless broadband products and technologies are in the early stages of development and will require a substantial investment before they may become commercially viable. Our research and development expenses for our wireless broadband products and technologies, including our chipsets were $41.4 million during 2006. Largely due to our planned increase in engineering personnel, we expect our wireless broadband technology development expenses to increase by approximately 69% during 2007. Because we are adopting a strategy of licensing our technology and selling chipsets to third party equipment manufacturers, we do not anticipate that the license and sale of our products and technologies will require significant additional capital.

- Our network services business is not expected to require significant additional capital expenditures beyond what is necessary to complete our Henderson, Nevada office building and test site. With the exception of our test site in Henderson, Nevada, we do not intend to build-out wireless networks, but will provide our technologies, services and spectrum to service providers who are engaged in these activities. In 2007, we expect to expend $4.4 million on the deployment of our test site in Henderson, Nevada. If that test site is successful, we anticipate that we will seek service providers to expand the trial network to cover most of the Las Vegas metropolitan region.

- GO Networks, Inc., acquired in February 2007, develops high-performance mobile Wi-Fi systems for commercial and municipal service providers. GO Networks' Mobile Broadband Wireless system combines xRF TM smart-antenna technology with a cellular-mesh Wi-FI architecture to provide commercial and municipal service providers with a cost-effective solution to support bandwidth-intensive mobile broadband services such as video streaming, web browsing, real-time gaming, video telephony and other types of multimedia applications.

We may need to secure significant additional capital in the future to implement changes to, or expansions of, our business plan and to become cash flow positive. We may also require additional cash resources for other future developments, including any investments or acquisitions we may pursue, such as investments or acquisitions of other business or technologies. If our existing working capital resources are insufficient to satisfy our cash requirements, we may seek to sell debt securities or additional equity securities or to obtain a credit facility. Our Notes and our Series A Senior Convertible Preferred Stock prohibit our incurrence of additional indebtedness, subject to certain exceptions. The sale of equity securities or convertible debt securities could result in additional dilution to our stockholders.

The incurrence of indebtedness would result in debt service obligations and the requirement that we comply with operating and financial covenants that would restrict our operations. In addition, there can be no assurance that any additional financing will be available on acceptable terms, if at all.

Restatement of Previously Reported Interim Financial Statements

On March 23, 2007, we announced the need to adjust our financial results for the first three quarters of 2006 to reflect a correction in our accounting for certain revenue contracts and for the incorrect capitalization of certain engineering costs in our PacketVideo subsidiary. Specifically, we determined that we were incorrectly deferring engineering design, maintenance and support and royalty revenues on contracts where post-contract customer support ("PCS") was required and no separate objective evidence of its fair value, specific to Packet Video, existed for the PCS. We also determined that we had incorrectly deferred certain technology costs prior to achieving technological feasibility. The change has been made to defer revenue and related costs determined to be related to the PCS portion of the contract and to expense previously capitalized engineering costs.

The following interim unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to SEC Form 10-Q and Article 10 of SEC Regulation S-X. In our opinion, this information has been prepared on a basis consistent with that of our audited consolidated financial statement and all necessary material adjustments, consisting of normal recurring accruals and adjustments, have been included to present fairly the unaudited quarterly and year-to-date financial data. Our quarterly results of operations for these periods are not necessarily indicative of future results of operations. They do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. Therefore, these condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and notes thereto for the year ended December 30, 2006 included in this registration statement.

The following table presents the impact of the change in revenues and related costs on our previously reported consolidated statements of operations for the first three quarters of 2006:

	Three Months Ended								
	April 1, 2006			**July 1, 2006**			**September 30, 2006**		
(in thousands)	**As Reported**	**Adjustments**	**As Restated**	**As Reported**	**Adjustments**	**As Restated**	**As Reported**	**Adjustments**	**As Restated**
Consolidated Statements of Operations									
Revenues	$ 5,673	$ (1,768)	$ 3,905	$ 8,331	$ (2,038)	$ 6,293	$ 8,051	$ (1,381)	$ 6,670
Operating expenses:									
Cost of revenues	2,686	(879)	1,807	3,198	(560)	2,638	4,568	(1,062)	3,506
Engineering, research and development	10,233	856	11,089	12,601	693	13,294	11,455	179	11,634
General and administrative	8,492	—	8,492	12,140	—	12,140	14,896	—	14,896
Sales and marketing	1,613	—	1,613	2,539	—	2,539	2,992	—	2,992
Purchased in-process research and development	—	—	—	1,648	—	1,648	—	—	—
Total operating expenses	23,024	(23)	23,001	32,126	133	32,259	33,911	(883)	33,028
Loss from operations	(17,351)	(1,745)	(19,096)	(23,795)	(2,171)	(25,966)	(25,860)	(498)	(26,358)
Other income (expense)									
Interest income	3,187	—	3,187	3,197	—	3,197	3,419	—	3,419
Interest expense	(308)	—	(308)	(366)	—	(366)	(9,010)	—	(9,010)
Other income and expense, net	(92)	—	(92)	216	—	216	(26)	—	(26)
Total other income (expense), net	2,787	—	2,787	3,047	—	3,047	(5,617)	—	(5,617)
	(14,564)	(1,745)	(16,309)	(20,748)	(2,171)	(22,919)	(31,477)	(498)	(31,975)

Loss before provision for income taxes and minority interest									
Income tax benefit (provision)	209	—	209	—	—	—	(93)	—	(93)
Minority interest	657	—	657	214	—	214	265	—	265
Net loss	$ (13,698)	$ (1,745)	$ (15,443)	$ (20,534)	$ (2,171)	$ (22,705)	$ (31,305)	$ (498)	$ (31,803)

The following table presents the impact of the change in revenues and related costs on our previously-reported consolidated balance sheets for the first three interim reporting dates in 2006:

	April 1, 2006			**July 1, 2006**			**September 30, 2006**		
(in thousands)	**As Reported**	**Adjustments**	**As Restated**	**As Reported**	**Adjustments**	**As Restated**	**As Reported**	**Adjustments**	**As Restated**
Consolidated Balance Sheets									
ASSETS									
Current assets:									
Cash and cash equivalents	$ 99,871	$ —	$ 99,871	$ 30,643	$ —	$ 30,643	$ 25,371	$ —	$ 25,371
Short-term investments	266,716	—	266,716	309,794	—	309,794	196,801	—	196,801
Accounts receivable, net	2,235	—	2,235	5,206	—	5,206	5,728	—	5,728
Deposits for wireless spectrum bids	—	—	—	—	—	—	142,866	—	142,866
Deferred contract costs	1,456	21	1,477	2,105	(110)	1,995	2,242	772	3,014
Prepaid expenses and other current assets	5,745	—	5,745	8,518	—	8,518	7,252	—	7,252
Total current assets	376,023	21	376,044	356,266	(110)	356,156	380,260	772	381,032
Restricted cash	—	—	—	—	—	—	76,792	—	76,792
Wireless spectrum licenses, net	130,889	—	130,889	130,374	—	130,374	374,137	—	374,137
Goodwill	27,001	—	27,001	32,936	—	32,936	32,829	—	32,829
Other intangible assets, net	17,449	—	17,449	16,846	—	16,846	16,306	—	16,306
Property and equipment, net	15,040	—	15,040	14,632	—	14,632	16,796	—	16,796
Prepaid expenses and other noncurrent assets	7,708	—	7,708	6,761	—	6,761	8,279	—	8,279
Total assets	$ 574,110	$ 21	$ 574,131	$ 557,815	$ (110)	$ 557,705	$ 905,399	$ 772	$ 906,171
LIABILITIES AND MEMBERS' EQUITY									
Current liabilities:									

Accounts payable	$ 4,488	$ —	$ 4,488	$ 2,274	$ —	$ 2,274	$ 2,369	$ —	$ 2,369
Accrued expenses	7,058	—	7,058	12,104	—	12,104	19,465	—	19,465
Current portion of long-term obligations	2,575	—	2,575	2,822	—	2,822	2,681	—	2,681
Deferred revenue	4,021	1,766	5,787	3,100	3,806	6,906	2,867	5,186	8,053
Current tax liability	—	—	—	—	—	—	40	—	40
Other current liabilities and deferred credits	755	—	755	1,009	—	1,009	961	—	961
Total current liabilities	18,897	1,766	20,663	21,309	3,806	25,115	28,383	5,186	33,569
Deferred income tax liabilities	—	—	—	—	—	—	67,673	—	67,673
Long-term deferred credits and reserves	8,203	—	8,203	8.575	—	8,575	8,243	—	8,243
Long-term obligations	15,311	—	15,311	15,661	—	15,661	292,310	—	292,310
Minority interest in subsidiary	889	—	889	1,143	—	1,143	884	—	884
Commitments and contingencies									
Members' equity:									
Membership interests	591,452	—	591,452	592,389	—	592,389	619,966	—	619,966
Accumulated other comprehensive loss	(992)	—	(992)	(1,078)	—	(1,078)	(571)	—	(571)
Accumulated deficit	(59,650)	(1,745)	(61,395)	(80,184)	(3,916)	(84,100)	(111,489)	(4,414)	(115,903)
Total members' equity	530,810	(1,745)	529,065	511,127	(3,916)	507,211	507,906	(4,414)	503,492
Total liabilities and members' equity	$ 574,110	$ 21	$ 574,131	$ 557,815	$ (110)	$ 557,705	$ 905,399	$ 772	$ 906,171

Critical Accounting Policies and Estimates

Our discussion and analysis of our results of operations and liquidity and capital resources are based on our consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates and judgments, including those related to revenue recognition, valuation of intangible assets and investments, and litigation. We base our estimates on historical and anticipated results and trends and on various other assumptions that we believe are reasonable under the circumstances, including assumptions as to future events. These estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. By their nature, estimates are subject to an inherent degree of uncertainty. Actual results that differ from our estimates could have a significant adverse effect on our operating results and financial position. We believe that the following significant accounting policies and assumptions may involve a higher degree of judgment and complexity than others.

Revenue Recognition. We recognize revenue in accordance with the following authoritative literature: American Institute of Certified Public Accountants Statement of Position ("SOP") No. 97-2, *Software Revenue Recognition; SOP No. 98-9, Software Revenue Recognition with Respect to Certain Arrangements*; SOP No. 81-1, *Accounting for Performance of Construction-Type and Certain Production-Type Contracts*; and Financial Accounting Standards Board's ("FASB") Emerging Issues Task Force ("EITF") Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables*. We recognize revenue when there is persuasive evidence of an arrangement, the fee is fixed or determinable, the product or services have been delivered and collectibility is reasonably assured. We derive revenue principally from contracts to provide embedded multimedia software products for mobile devices and related royalties.

We have arrangements whereby customers pay one contracted amount for multiple products and services and in some cases, involve a combination of products and services. Our arrangements generally include a software or technology license, non-recurring engineering services, and in most situations post contract customer support (“PCS”). To date, we have not been able to establish vendor specific objective evidence (“VSOE”) for any of the elements included in our revenue arrangements. We have been unable to establish VSOE for the elements that we sell as part of a multiple-element arrangement because the products or services have not yet been sold separately or a standard price list has not been established. As a result, once the software or technology is delivered and the only undelivered element is services, the entire non-contingent contract value is recognized over the remaining service period. Costs directly attributable to providing these services are also deferred in deferred contracts costs and amortized over the remaining service period of the revenues.

When we provide services under non-recurring engineering contracts that are considered essential to the functionality of the software products and there is an undelivered element without VSOE, generally PCS, revenues are deferred until the engineering services are complete. Revenues are then recognized from the delivery of the software ratably through the end of the support period.

Typically, we earn royalty revenues on licensed embedded multimedia products sold by our licensees. Generally, royalties are paid by licensees on a per unit or contingent use basis. The licensees generally report and pay the royalty in the quarter subsequent to the period of delivery or usage. When royalty arrangements also provide for ongoing PCS that does not meet the criteria to be accrued on delivery of the software, the royalty is recognized ratably from the date the royalty report is received through the stated remaining term of the PCS arrangement.

In limited situations, we have determined that PCS revenue can be recognized upon delivery of the software. In these situations, we have determined that PCS is for one year or less, the estimated cost of providing PCS during the arrangement is insignificant and unspecified upgrades or enhancements offered during PCS arrangements historically have been and are expected to continue to be minimal and infrequently provided. In these limited situations, we have accrued all the estimated costs of providing the services, which to date have been insignificant.

Services sold separately are generally billed on a time-and- materials basis at agreed-upon billing rates, and revenue is generally recognized as the services are performed.

Arrangements generally do not allow for product returns and we have no history of product returns. Accordingly, no allowance for returns has been provided. Revenue payable on extended payment terms are recognized in the period the payment becomes due. If an arrangement includes specified upgrade rights, revenue is deferred until the specified upgrade has been delivered.

Wireless Spectrum Licenses. Wireless licenses that we purchase from third parties or in spectrum auctions held by the FCC are initially recorded at fair value, which is the purchase price paid for the license at the time of acquisition plus legal costs incurred to acquire the intangible asset. We have determined that our Broadband Radio Service (“BRS”) and Wireless Communication Service (“WCS”) wireless spectrum licenses meet the definition of indefinite-lived intangible assets under SFAS No. 142, “Goodwill and Other Intangible Assets”. The wireless spectrum licenses from the FCC may be renewed every ten years for a nominal fee, provided that we continue to meet the service and geographic coverage provisions required by the FCC. As of December 30, 2006, indefinite-lived wireless spectrum licenses that are not subject to amortization totaled $450.1 million.

Wireless licenses for which we have acquired lease rights from third parties or from foreign countries where the renewal terms are not yet established are considered to have finite lives. The asset and related liability are recorded at the present value of future cash flows using our incremental borrowing rate at the time of acquisition. The wireless license asset is amortized over the contractual life of the lease. Such licenses in the United States are the Educational Broadband Service (“EBS”) licenses for which we have entered into long-term leases. As of December 30, 2006, amortized wireless spectrum licenses, net of accumulated amortization, totaled $77.9 million.

In cases where we acquire the stock of an entity whose assets are comprised almost entirely of wireless spectrum, we account for the acquisition of the company as an acquisition of wireless spectrum assets rather than as an acquisition of a business based on guidance under EITF 98-3, “Determining Whether a Nonmonetary Transaction Involves Receipt of Productive Assets or of a Business”. The value assigned to the wireless spectrum generally includes the cash purchase price, associated legal and closing costs and deferred tax liabilities. Deferred tax liabilities are determined in accordance with EITF 98-11, “Accounting for Acquired Temporary Differences in Certain Purchase Transactions That Are Not Accounted for as Business Combinations”. During 2006, we acquired such a wireless spectrum license for a total cost of $236.4 million, which included the cash purchase price of $160.5 million, legal costs of $0.1 million, and $75.8 million in associated deferred tax liabilities.

Valuation of Intangible Assets and Investments. In accordance with Statement of Financial Accounting Standards No. 142, or SFAS No. 142, “Goodwill and Other Intangible Assets,” we do not amortize goodwill and certain spectrum licenses. In lieu of amortization, we are required to perform an annual review for impairment, or more frequently if impairment indicators arise. Goodwill and intangible assets not subject to amortization are considered to be impaired if we determine that the carrying value of the asset exceeds its fair value.

We test goodwill for impairment annually at a reporting unit level using a two-step process. As of December 30, 2006, we had two reporting units as defined by SFAS 142 containing goodwill that required testing for impairment. The first step of the impairment test involves comparing the fair values of the applicable reporting units with their aggregate carrying values, including goodwill. If the carrying amount of a reporting unit exceeds the reporting unit’s fair value, we then perform the second step of the goodwill impairment test to determine the amount of the impairment loss. The second step of the goodwill impairment test involves comparing the implied fair value of the affected reporting unit’s goodwill with the carrying value of that goodwill. If the carrying amount of goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess.

For the goodwill impairment test performed as of October 1, 2006, the discounted cash flows used to estimate fair value were based on discrete financial forecasts of five years for our PacketVideo reporting unit and seven years for our Advanced Technology Group reporting unit. These forecasts were developed by management for planning purposes. Cash flows beyond these periods were estimated using terminal value calculations. The future cash flows were discounted to present value using a discount rate of 17.7% and a terminal growth rate of 6% for our PacketVideo reporting unit and 8% for our Advanced Technologies Group reporting unit. A variance in the discount rate or in management’s forecasts would have a significant impact on the estimated fair value of the reporting unit and consequently the amount of identified goodwill impairment. We did not recognize any goodwill impairment as a result of performing this annual test.

We test indefinite-lived intangible assets by making a determination of the fair value of the intangible asset. If the fair value of the intangible asset is less than its carrying value, an impairment loss is recognized in an amount equal to the difference. We also evaluate the remaining useful life of our intangible assets that are not subject to amortization on an annual basis to determine whether events and circumstances continue to support an indefinite useful life. If an intangible asset that is not being amortized is subsequently determined to have a finite useful life, that asset is tested for impairment. After recognition of the impairment, if any, the asset is amortized prospectively over its estimated remaining useful life and accounted for in the same manner as other intangible assets that are subject to amortization. At October 1, 2006, our intangible assets not subject to amortization were evaluated for impairment and we determined that no impairment existed at that date.

In accordance with SFAS No. 144, “Accounting for Impairment or Disposal of Long-Lived Assets,” intangible assets subject to amortization were evaluated for impairment as of December 30, 2006. SFAS 144 requires the recognition of an impairment loss when the carrying amount of an intangible asset is not recoverable and its carrying amount exceeds its fair value. We determined that no impairment existed at our testing date.

Any required impairment loss would be recorded as a reduction in the carrying value of the related asset and charged to results of operations.

The determination of the fair value of certain acquired assets and liabilities is subjective in nature and often involves the use of significant estimates and assumptions. Determining the fair values and useful lives of intangible assets requires the exercise of judgment. Upon initially recording intangible assets that are acquired through business combinations we may use an independent valuation firm to assist us in determining the appropriate values for those assets. While there are a number of different generally accepted valuation methods to estimate the value of intangible assets acquired, we primarily use the undiscounted cash flows expected to result from the use of the assets. This method requires significant management judgment to forecast the future operating results used in the analysis. In addition, other significant estimates are required such as residual growth rates and discount factors. The estimates we use are consistent with the plans and estimates that we use to manage our business and are based on available historical information and industry averages.

The recorded value of goodwill and other intangible assets may become impaired in the future. As of December 30, 2006, our goodwill and intangible assets, net of accumulated amortization, were $32.2 million and $546.6 million, respectively. If the estimates of fair values or their related assumptions change in the future, we may be required to record an impairment charge on all or a portion of our goodwill and intangible assets. We also cannot predict the occurrence of future impairment-triggering events nor the impact such events might have on our reported asset values. Future events could cause us to conclude that impairment indicators exist and that goodwill or other intangible assets associated with our acquired businesses is impaired. Any resulting impairment loss could have an adverse impact on our results of operations.

Share-Based Payments and Pro forma Share-Based Compensation. We grant options and warrants to purchase common stock to our employees, directors, members of our Technical Developments Steering Committee and other strategic advisors under our stock option plans and advisory agreements. The benefits provided by these plans and agreements qualify as share-based compensation under the provisions of Statement of Financial Accounting Standards No. 123 (revised 2004), “Share-Based Payment” (“SFAS 123(R)”), which requires us to recognize compensation expense based on the estimated fair values of the share-based awards to employees determined on the date of grant for all awards granted, modified or cancelled as of January 1, 2006 (the effective date).

Prior to the effective date, we did not recognize any compensation cost in our statements of operations for share-based awards granted to employees with an option price equal to the fair market value of respective common stock on the date of grant as we accounted for them under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees” (“APB 25”), and its related interpretations and adopted the disclosure only provisions of Statement of Financial Accounting Standards No. 123, “Stock-Based Compensation” (“SFAS 123”). We provided pro forma net loss in accordance with the disclosure only provision of SFAS 123. The share-based compensation expense used in these pro forma amounts is based on the minimum value method option-pricing model. This method required us to use several assumptions to estimate the fair value including the expected life of the option.

We adopted the provisions of SFAS 123(R) using the prospective transition method, whereby we will continue to account for nonvested equity awards to employees outstanding at December 31, 2005 using APB 25, and apply SFAS 123(R) to all awards granted or modified after that date. In accordance with the transition rules of SFAS 123(R), we no longer provide the pro forma disclosures in reports issued for periods ending after December 31, 2005 as SFAS 123(R) precludes companies that use the minimum value method for pro forma disclosure from continuing to provide those pro forma disclosures for outstanding awards accounted for under the intrinsic value method of APB 25.

Our determination of the fair value of share-based payment awards utilizing the Black-Scholes model is affected by a number of assumptions such as expected volatility, expected term, risk-free interest rates and expected dividends. We base expected volatility on an average of our peer companies' expected volatilities due to lack of trading history of our common stock and our subsidiaries' shares. As none of the plans have sufficient history for estimating the term from grant date to full exercise of the option, we consider expected terms applied, in part, by our peer companies to determine the expected life of each grant. We base the risk-free interest rates on the implied yield available on U.S. Treasury constant maturities in effect at the time of the grant with remaining terms equivalent to the respective expected terms of the share-based award. Our expected dividend yield of zero is based on the fact that we have never paid cash dividends and have no present intention to pay cash dividends on our common stock. We have assumed an annualized forfeiture rate of 10% for our options based on a combined review of industry and employee turnover data, as well as an analytical review performed of historical pre-vesting forfeitures occurring over the previous year. Under the true-up provisions of SFAS 123(R), we record additional expense if the actual forfeiture rate is lower than estimated, and will record a recovery of prior expense if the actual forfeiture rate is higher than estimated.

We believe it is important for investors to be aware of the high degree of subjectivity involved when using option pricing models to estimate share-based compensation under SFAS 123(R). Option-pricing models were developed for use in estimating the value of traded options that have no vesting or hedging restrictions, are fully transferable and do not cause dilution. Because our share-based payments have characteristics significantly different from those of freely traded options, and because changes in the subjective input assumptions can materially affect our estimates of fair values, in our opinion, existing valuation models, including the Black-Scholes, may not provide reliable measures of the fair values of our share-based compensation. Consequently, there is a risk that our estimates of the fair values of our share-based compensation awards on the grant dates may bear little resemblance to the actual values realized upon the exercise, expiration, early termination or forfeiture of those share-based payments in the future. Certain share-based payments, such as employee stock options, may expire worthless or otherwise result in zero intrinsic value as compared to the fair values originally estimated on the grant date and reported in our financial statements. Alternatively, value may be realized from these instruments that is significantly in excess of the fair values originally estimated on the grant date and reported in our financial statements. There is currently no market-based mechanism or other practical application to verify the reliability and accuracy of the estimates stemming from these valuation models, nor is there a means to compare and adjust the estimates to actual values. Although the fair value of employee share-based awards is determined in accordance with SFAS 123(R) and the Securities and Exchange Commission's Staff Accounting Bulletin No. 107 (SAB 107) using an option-pricing model, that value may not be indicative of the fair value observed in a willing buyer and willing seller market transaction. If factors change and we employ different assumptions in the application of SFAS 123(R) in future periods than those currently applied under SFAS 123(R), the compensation expense that we record in the future under SFAS 123(R) may differ significantly from what we have reported during 2006.

The CYGNUS Communications, Inc. 2004 Stock Option Plan., as amended in February 2006, provided for the conversion of each CYGNUS option, whether issued or unissued, into the right to purchase 0.05097 shares of NextWave common stock upon the Corporate Conversion Merger. The conversion was accounted for as a modification resulting from an exchange of options in a business combination under SFAS 123(R) in which the fair value of the vested portion of the new options at the date of conversion, valued at $0.9 million, was added to the purchase price of CYGNUS and the fair value of the unvested portion of the new options, valued at $1.2 million, is amortized over the remaining vesting periods.

For 2006, we recognized $2.8 million in compensation expense for employee stock options. At December 30, 2006, there was $8.6 million remaining in unrecognized compensation cost related to employee stock options which is expected to be recognized over a weighted average period of 3.4 years.

On January 3, 2007, concurrent with the listing of NextWave's common stock on the Nasdaq Global Market, an option to purchase one share of common stock of NextWave for $6.00 per share was issued for every six options outstanding under our PacketVideo 2005 Equity Incentive Plan. The exchange will be accounted for as a modification under SFAS 123(R) during fiscal year 2007 and is expected to result in additional compensation expense.

Litigation. We are currently involved in certain legal proceedings. Although there can be no assurance that unfavorable outcomes in any of these matters would not have a material adverse effect on our operating results, liquidity or financial position, we believe the claims are without merit and intend to vigorously defend the actions. We estimate the range of liability related to pending litigation where the amount and range of loss can be estimated. We record our best estimate of a loss when the loss is considered probable. Where a liability is probable and there is a range of estimated loss with no best estimate in the range, we record the minimum estimated liability related to the claim. As additional information becomes available, we assess the potential liability related to our pending litigation and revise our estimates. We have not recorded any accrual for contingent liability associated with our legal proceedings based on our belief that a liability, while possible, is not probable. Further, any possible range of loss cannot be estimated at this time. Revisions in our estimates of the potential liability could materially impact our results of operations.

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Recent Accounting Pronouncements

In June 2006, the FASB Issued Interpretation No. 48, “Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109” (“FIN 48”), effective for our fiscal year beginning December 31, 2006. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in financial statements in accordance with FASB Statement No. 109, “Accounting for Income Taxes,” and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. We believe that adoption of this interpretation will not have a material impact on our financial statements.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, “Fair Value Measurements” (“SFAS 157”). This Standard defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. NextWave’s management is in the process of evaluating the impact of the adoption of SFAS No. 157.

Contractual Obligations

The following table summarizes our contractual obligations at December 30, 2006, and significant contractual obligations entered into subsequent to that date, and the effect such obligations are expected to have on our liquidity and cash flows in future periods.

	Payments Due by Period				
(in thousands)	**Total**	**2007**	**Years 2008-2009**	**Years 2010-2011**	**Years 2012 and Thereafter**
Long-term obligations	$ 380,178	$ 3,066	$ 5,744	$ 354,929	$ 16,439
Services and other purchase agreements	12,929	7,535	5,394	—	—
Pending business acquisition	19,000	19,000	—	—	—
Capital expenditures(1)	8,200	8,200	—	—	—
Operating leases	21,362	7,037	10,879	3,084	362
Total	$ 441,669	$ 44,838	$ 22,017	$ 358,013	$ 16,801
Significant contractual obligations entered into subsequent to December 30, 2006:					
Series A Senior Convertible Preferred Stock(2)	$ 355,000	$ —	$ —	$ —	$ 355,000
Business acquisition(3)	19,863	16,283	3,580	—	—
Pending wireless spectrum acquisition(4)	26,015	26,015	—	—	—
Pending wireless spectrum leases(5)	23,399	7,523	1,597	1,633	12,646
Operating facility lease(6)	17,286	1,238	6,706	7,967	1,375
Pending business acquisition(7)	25,000	25,000	—	—	—

(1) Our purchase agreement for an office building in Henderson, Nevada was amended in March 2007, reducing the cost of the building to $6.9 million. A separate agreement was entered into in March 2007 related to the interior construction costs of the building for $2.6 million. An additional estimated $1.9 million for non-contracted fixtures and furniture will also be required to ready the building for occupancy. Construction is expected to be completed during the second quarter of 2007, at which time we expect to occupy the facility and pay the remaining costs associated with occupancy.

(2) On March 28, 2007, we issued and sold 355,000 shares of our Series A Senior Convertible Preferred Stock (the "Series A Preferred Stock") at a price of $1,000 per share. We received $351.0 million in net proceeds from the sale of the Series A Preferred Stock. The Series A Preferred Stock has a mandatory redemption on March 28, 2017.

(3) In February 2007, we acquired all of the outstanding common stock and warrants of GO Networks, Inc., for $13.2 million plus the assumption of $6.7 million in debt, of which $1.3 million was paid at closing. Additional purchase consideration of up to $25.7 million may be paid in shares of NextWave common stock, subject to the achievement of certain operational milestones in the 18-month period subsequent to the closing of the acquisition. We also adopted the GO Networks Employee Stock Bonus Plan, whereby a select group of employees may receive up to an aggregate of $5.0 million in shares of NextWave common stock upon the achievement of certain operational milestones in the 18-month period subsequent to the closing of the acquisition.

(4) In March 2007, we acquired all of the outstanding shares of common stock of 4253311 Canada Inc., a Canadian company. The total cost of the acquisition is expected to be approximately $26.0 million in cash. The assets of the company are comprised almost entirely of wireless spectrum.

(5) During the first three months of 2007, we entered into three separate wireless spectrum leases. Approval of one of the license transfer applications has been received from the FCC and one is pending. The third application is pending with the Swiss Confederated Communications Commission.

(6) In March 2007, we signed a lease agreement for office facilities that expires in 2012. The lease requires a $2.5 million letter of credit, which is gradually reduced until termination of the lease in 2012.

(7) In April 2007, we signed a definitive agreement to acquire IPWireless Inc. for $25.0 million in cash plus $75.0 million in our common stock. Additional consideration of up to $135.0 million will be paid based on the achievement of certain revenue milestones between 2007 and 2009 as specified in the agreement, with potential payments of up to $50.0 million in late 2007 or 2008, up to $7.5 million in 2008, up to $24.2 million in 2009 and up to $53.3 million in 2010. If earned, up to $114.0 million of such additional considerations is payable in cash or shares of common stock at our election and up to $21.0 million of such amounts are payable in cash or shares of common stock at the election of representatives of IPWireless shareholders. The acquisition of IPWireless remains subject to various standard closing conditions, including Hart-Scott-Rodino and Nasdaq listing approvals, and is expected to close in the second quarter of 2007.

QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISKS

Interest Rate Risk

At December 30, 2006, our investment portfolio included unrestricted and restricted short-term investment securities with fair values of $200.7 million and $75.0 million, respectively. These securities are subject to interest rate risk and will decline in value if interest rates increase. Interest income earned on our investments is affected by changes in the general level of U.S. interest rates. These income streams are generally not hedged.

Due to the relatively short duration of our investment portfolio, an immediate ten percent change in interest rates (e.g. 3.00% to 3.30%) would have no material impact on our financial condition or results of operations.

Foreign Currency Risk

We conduct our business through subsidiaries in Europe, Asia-Pacific and North America. Substantially all of our sales to customers located in foreign countries are denominated in U.S. dollars, minimizing foreign currency risks related to those transactions. Our foreign subsidiaries use the U.S. dollar as their functional currency. Accordingly, monetary assets and liabilities are translated into U.S. dollars at the exchange rate in effect at the balance sheet date. Revenues, expenses, gains and losses associated with monetary assets and liabilities are translated at the rates of exchange that approximate the rates in effect at the transaction date. Non-monetary assets and liabilities and related elements of revenues, expenses, gains and losses are translated at historical rates. Resulting exchange gains or losses of these foreign investees are recognized in the consolidated statements of operations. Changes in currency exchange rates have affected, and will continue to affect our operating costs and net loss.

BUSINESS

We are an early-stage wireless technology company that develops next-generation mobile broadband and wireless multimedia products and technologies. Our products and technologies are designed to make wireless broadband faster, more reliable and more affordable. At present, our customers include many of the largest mobile handset and wireless service providers in the world.

We believe that wireless broadband represents the next logical step in the evolution of the Internet and that consumer demand for fully-mobile, wireless broadband service will transform the global wireless communications industry from one driven primarily by circuit-switched voice to one driven by IP-based broadband connectivity. Our business activities are focused on developing products, technologies and network solutions that provide consumers and businesses with affordable, high-speed, mobile access to the information and multimedia content they want.

Our wireless broadband products and technologies are developed and marketed through our operating subsidiaries, each of which is focused on specific and critical links in the global mobile broadband ecosystem:

NextWave Broadband Inc. - A family of mobile broadband semiconductor products and network components based on WiMAX and Wi-Fi technologies, terminal device reference designs and network implementation services;

PacketVideo Corporation - Multimedia software applications for wireless handsets and other converged mobile devices; and

GO Networks, Inc. - Carrier-class, wide-area, mobile Wi-Fi systems.

NextWave Broadband Inc. Our Advanced Technology Group, a division of NextWave Broadband Inc., is developing a family of mobile broadband semiconductor products based on WiMAX and Wi-Fi technologies, including multi-band RF chips and high-performance, digital baseband WiMAX chips. In addition, our Advanced Technology Group is developing wireless network components and a family of handset and media player reference designs to highlight the features of the Company’s subscriber station semiconductor products. The primary design objectives of the Advanced Technology Group’s products and technologies, which are intended to be sold or licensed to network infrastructure vendors, device manufacturers and service providers worldwide, are:

- Improve the performance and economics of WiMAX and Wi-Fi networks and enhance their ability to cost-effectively handle the large volume of network traffic associated with bandwidth intensive, multimedia applications such as mobile television, video-on-demand, streaming hi-fidelity audio, two-way video telephony and real-time gaming;

- Improve the performance, power consumption and cost characteristics of mobile broadband enabled subscriber terminals;

- Improve the degree of interoperability and integration between Wi-Fi and WiMAX systems for both Local Area Networks (LANs) and Wide Area Networks (WANs);

- Improve the efficiency, costs and performance of video and audio broadcast applications over WiMAX networks; and

- Improve service provider economics and roaming capabilities by enabling WiMAX networks and WiMAX enabled devices to seamlessly operate across multiple frequency bands including the use of certain unlicensed bands.

Through our Network Solutions Group, also a division of NextWave Broadband, we intend to offer service provider customers a full array of network services, including RF and core network design services, network implementation and management services and back-office service solutions. To demonstrate the capabilities of our network service capabilities and our wireless broadband products, the Network Solutions Group is implementing a mobile WiMAX/Wi-Fi test site in Henderson, Nevada. We intend to utilize this test site to demonstrate our technical and product capabilities to wireless service providers, cable operators, Internet service providers and media/content companies, who are interested in deploying mobile WiMAX networks that operate on spectrum owned or leased by the Company in the U.S. and internationally while utilizing network and device equipment that incorporate our products and technologies. Our spectrum footprint in the U.S. covers a population of over 248 million people, or POPs, and includes many of the largest metropolitan areas in the country. In addition, NextWave Wireless has acquired nationwide spectrum in Germany through its majority-owned company, Inquam Broadband.

PacketVideo Corporation. Through our PacketVideo subsidiary, we supply device-embedded multimedia software to many of the largest wireless handset manufacturers and wireless carriers in the world, who use it to transform a mobile phone into a feature-rich multimedia device that provides people the ability to stream, download and play video and music, receive live TV broadcasts, and engage in two-way video telephony. PacketVideo's software is compatible with virtually all network technologies, including CDMA and GSM. To date, more than 110 million PacketVideo powered phones have been shipped worldwide by companies such as Motorola, Samsung, LGE, Sony Ericsson, and Nokia. PacketVideo has been contracted by some of the largest carriers in the world, such as Verizon Wireless, Vodafone, NTT DoCoMo, Orange and T-Mobile to design and implement the embedded multimedia software capabilities contained in their handsets.

PacketVideo has made investments in developing and acquiring a wide range of capabilities to provide its customers with solutions to support and accelerate digital media convergence within the home and office via mobile devices and consumer electronics that utilize PacketVideo's device-embedded software and the communications protocols standardized by the Digital Living Network Alliance™ (DLNA™). An example is PacketVideo's network-based PacketVideo Experience™ platform that provides for content search, discovery, organization and content delivery/sharing between devices connected to a private IP-based network on a one-on-one or one-to-many basis, PacketVideo's patented Digital Rights Management (DRM) capability, already serving many carriers globally, further provides for a flexible solution that protects the multimedia content used or shared by PacketVideo-enabled devices. We expect that the continued growth in global shipments of high-end handsets with multimedia capabilities, increasing demand for home/office digital media convergence, and the acceleration of global deployments of mobile broadband enabled networks will substantially expand the opportunity for PacketVideo to license its suite of multimedia software solutions to handset and consumer electronic device manufacturers, and service providers. In addition, we intend to leverage PacketVideo's established market presence and unique software expertise to be a leading global provider of the next-generation of device-embedded software modules needed for the efficient capture, transmission and manipulation of multimedia content by fourth generation (4G) wireless broadband mobile devices.

GO Networks, Inc. Through our GO Networks subsidiary, which we acquired in February 2007, we offer carrier-class mobile Wi-Fi network systems to commercial and municipal service providers worldwide. By utilizing advanced xRF™ adaptive beamforming smart antenna technology and a cellular-mesh Wi-Fi architecture, the GO Networks system is designed to deliver superior Wi-Fi coverage, performance, and economics and provide service providers with a cost-effective solution to support bandwidth-intensive mobile broadband services such as video streaming, real-time gaming, web browsing, and other types of multimedia applications on a wide-area basis.

We believe the breadth of products, technologies, spectrum assets and services offered by our various subsidiaries represents a unique platform to provide advanced wireless broadband solutions to the market. While our subsidiaries are intended to be operated as stand-alone businesses, we also expect them to provide synergistic value to each other and collectively drive accelerated market penetration and share of the wireless broadband market for the Company.

Mobile Broadband Market

The Internet has evolved into a global system that billions of people depend on every day. For many, the Internet has become an essential enabler of their business and personal lives and is the primary means by which they communicate and access information. We believe that a major driver of Internet usage is the rapidly growing adoption of DSL and cable/satellite broadband services that enable people to access the Internet at very high data speeds. Due to this broadband connectivity, dependency on the Internet is increasing rapidly. Millions of people now use the Internet as a major source for multimedia content such as music, movies and television, as a virtual store to purchase products and services, as a social networking and real-time gaming tool, and to engage in real-time, two-way voice, data, and video communications. However, while dependency on the Internet continues to grow, these types of critical Internet services and applications become inaccessible to most people whenever they leave their home or business. This is because widespread deployment of wireless networks capable of providing affordable mobile or nomadic wireless broadband service, with data rates and connection quality comparable to DSL and cable, has not yet occurred in the United States and most other countries.

We believe that market demand for mobile broadband services will transform the global wireless communications industry from one driven primarily by circuit-switched voice to one driven by IP based broadband connectivity. In addition, we believe that mobile broadband will do for the Internet what cellular technology has done for wireline telephony — extend high-speed connectivity outside the home or office and enable people to remain connected to the information and content they need, wherever they go. We call this “Wireless 2.0”. We are developing our products and technologies to help make “Wireless 2.0” a reality and to provide people the ability to use a next-generation mobile wireless device to:

- Remain connected to their favorite music, movies and television;
- Participate in interactive, real-time gaming;
- Easily establish high-speed connections to their desired web content;
- Remotely access their personal Digital Video Recorders and watch recorded television;
- Remotely view real-time images from home or office security cameras;
- Conduct two-way video conferences;
- Capture, transmit or receive high resolution digital photos or video to friends, family members, and business associates;
- Engage in a wide-range of multimedia shopping services customized via location based services;
- Conduct a broad range of financial transactions;
- Make “landline quality”, VoIP telephone calls; and
- Participate in social network activities with portable devices away from home or office.

While the mobile broadband transformation of the wireless communications market is still in an early stage of development, we believe it is already having a profound effect on service providers, network infrastructure manufacturers, device manufacturers and content distributors who will need to adapt their businesses to an industry model based on delivering mobile broadband services. Such adaptations will require network operators to make major investments in new wireless broadband network infrastructure equipment and technologies, will require the introduction of new classes of mobile broadband handsets, the development of next-generation device-embedded multimedia software and new wireless communication technologies to maximize the use of available spectrum. We intend to focus our business activities to capitalize on these market trends.

We believe that several factors are already beginning to drive global market demand for fourth generation (4G) mobile broadband services like mobile WiMAX:

- Increasing global demand by mobile phone users for easy and affordable mobile access to the Internet and on-line multimedia content sources on a fully mobile basis;

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- A growing awareness of the limitations of existing third generation (3G) wireless networks;
- Broader availability of high-quality, multimedia content available for distribution over wireless networks;
- Mandates by public safety agencies for reliable mobile broadband services;
- The ability of wireless technologies such as WiMAX to serve as a cost-effective way to deliver broadband to millions of homes in the U.S. and abroad with no or limited (e.g., dial-up) Internet connectivity; and
- Increasing market demand for fully integrated wireless local area network (“LAN”) and wide area network (“WAN”) solutions that utilize both Wi-Fi and WiMAX technologies for converged devices, appliances and consumer electronics.

IEEE 802.16 WiMAX Standard

WiMAX is an acronym that stands for Worldwide Interoperability for Microwave Access and is a certification mark established by the WiMAX Forum for products that are compliant with the Institute of Electrical and Electronics Engineers (“IEEE”) 802.16 set of standards. WiMAX, which has now become synonymous with the set of IEEE 802.16 standards, specifies an air interface for wireless Metropolitan Area Networks (MANs). Published in April of 2002, the original 802.16 standard specified equipment operating in the 10-66 GHz frequency band which required tall transmission towers and line-of-sight connectivity making the standard most suitable to provide high-bandwidth wireless backhaul services. Subsequently, the IEEE published a series of amendments to the standard to support lower radio frequencies below 2-11 GHz, to allow non line-of-sight connectivity, and to address interoperability issues. In 2004, the IEEE consolidated these amendments into a new standard called IEEE 802.16-2004 which is often referred to as IEEE 802.16d.

In December of 2005, the IEEE published the 802.16e amendment to the standard, often referred to as mobile WiMAX, which specified a system to support mobile broadband services via portable devices such as laptops, personal digital assistants (PDA), mobile phones, and other converged devices. The 802.16e amendment includes several enhancements to improve mobile system performance including support for inter-cell handoff, sleep modes to support low-power mobile devices and support for broadcast/multicast services. In parallel, in a coordinated effort with the IEEE and the WiMAX Forum, the Telecommunications Technology Association (“TTA”) in Korea developed WiBro, an 802.16-based standard, which includes support for mobility based on the 802.16e amendment. Efforts supported by TTA and IEEE 802.16 to harmonize the WiBro standard with the IEEE 802.16e standard were successful.

Mobile WiMAX is one of several wireless air interface technologies that are currently being deployed or developed to enable the delivery of mobile broadband services to the market. These alternative technologies include CDMA2000, UMTS (Universal Mobile Telecommunications System) and 802.20 (Mobile-Fi). Some of these technologies, such as CDMA 2000 and UMTS, have already been deployed by major wireless carriers and have achieved significant levels of market penetration. We believe that mobile WiMAX will also become a major, global wireless broadband standard and will achieve a significant level of global adoption for the following reasons:

- Mobile WiMAX enjoys broad support from wireless industry leaders. Members of the WiMAX Forum, an industry organization dedicated to promoting and certifying WiMAX products, include Alcatel, AT&T, Bell Canada, British Telecom, Broadcom, Cisco, Deutsche Telekom, Ericsson, Intel, Korea Telecom, LG Electronics, Lucent, Motorola, NEC, Nokia, Nortel, Samsung, Siemens, Sprint Nextel and Texas Instruments.

- Companies such as Intel, who are interested in seeing mobile WiMAX integrated into laptops and other mobile computing platforms, are actively working to drive the market adoption of WiMAX and the deployment of WiMAX networks.

- International support by network operators for WiMAX is growing. At present, numerous WiMAX networks based on the 802.16-2004 standard are currently being deployed by numerous operators in Europe, Asia, South America, and the Middle East.

- Deployments of 802.16e compliant mobile broadband networks by companies such as Korea Telecom who expect to launch commercial service in 2006 using the WiBro derivative of mobile WiMAX.

- Mobile WiMAX economics, including network construction and operating costs, are expected to be competitive with those of alternative mobile broadband technologies.

- Mobile WiMAX incorporates quality of service capabilities that are required to efficiently handle quality of service dependent applications such as VoIP telephony, video conferencing and real-time, interactive gaming.

- Mobile WiMAX network performance, including the ability to handle the high volumes of traffic associated with VoIP, high speed web-surfing and next-generation wireless multimedia applications, is expected to be competitive with alternative mobile broadband technologies.

Competitive Strengths

A highly accomplished team of wireless technology professionals. Our technology development efforts are led by a team of highly accomplished engineering veterans with broad experience in the development of wireless communications technologies and solutions. Several members of our team, including our Chief Executive Officer, Allen Salmasi, played key roles at QUALCOMM in the development and successful commercialization of the CDMA wireless technology standard used worldwide today. Additional support for our technology development efforts is provided by the NextWave Technical Development Steering Committee which is comprised of some of the most accomplished individuals in the wireless industry, including Dr. Andrew Viterbi who co-founded QUALCOMM.

Integrated business model. We believe that each of our operating subsidiaries represents an attractive standalone business. However, we believe that our business units are highly complementary to each other and together provide us with the ability to adapt our business model and allocate resources to maximize market share in a rapidly evolving industry.

Well established industry position. Our PacketVideo subsidiary has established strong commercial relationships with many of the wireless industry's leading device manufacturers and network operators including LGE, Motorola, Nokia, Sony-Ericsson, Samsung, NTT DoCoMo, Orange, T-Mobile and Verizon Wireless. We believe these relationships will provide our other operating subsidiaries an advantage when marketing their products and technologies.

Integrated WiMAX/Wi-Fi solutions. We believe the family of integrated WiMAX/Wi-Fi network and mobile device products we are developing will provide customers the most cost-effective mobile broadband solutions possible. In addition, because our GO Networks subsidiary utilizes a cellular-mesh network architecture, we believe that GO Network customers represent opportunities for future Wi-Fi to WiMAX upgrades that utilize NextWave's WiMAX products and technologies.

Attractive wireless spectrum portfolio, well-suited to support mobile broadband. To date, we have assembled a licensed spectrum portfolio in the U.S that covers over 248 million persons, or POPs. Some of our markets, including much of the New York metropolitan region, are covered by 30 MHz or more of spectrum. We believe that our spectrum footprint, which includes eight of the top ten Cellular Market Areas ("CMAs") and 15 of the top 20 CMAs in the U.S., will be attractive to service providers who wish to offer next-generation wireless broadband services. In addition, through majority owned partnerships, we have acquired a nationwide WiMAX spectrum license in Germany, acquired WCS spectrum in Canada, and have been advised that we will be awarded a nationwide spectrum license in

Switzerland.

Business Strategy

Our strategy is to deliver a broad suite of technologically advanced wireless broadband products and solutions to mobile subscriber terminal and wireless network equipment manufacturers, wireless broadband service providers and consumer electronic product companies. Our focus includes:

Develop the key elements of a mobile WiMAX system. We intend to develop the key elements of an end-to-end mobile WiMAX/Wi-Fi network solution that includes a family of WiMAX chipsets and network components. Our development activities are focused on both sides of the radio connection, which we believe will enable us to deliver a superior system solution to our customers. To date, we have made significant progress in our WiMAX development efforts and we expect to begin field testing elements of our chipset product line in 2007. These field testing activities will be part of a comprehensive technical field trial of our technologies in Henderson, Nevada. We expect to utilize this field trial to showcase the capabilities of our WiMAX/Wi-Fi technologies, and believe that the trial will be am important step towards successful commercialization of our family of WiMAX/Wi-Fi products.

Market our products and technologies to third parties. We intend to market our products and technologies worldwide to network equipment and device manufacturers and to wireless broadband service providers. We expect that our marketing efforts will benefit from growing worldwide demand for fully-mobile access to the Internet and the delivery of rich-media content to mobile devices. Similar to other wireless technologies, we believe that the sale or licensing of our chipsets, network components, software and device technologies will generate a long-term, recurring revenue stream for our company.

Form strategic relationships with service providers who want to offer wireless broadband services. We intend to make our spectrum available to service providers looking to deploy next-generation wireless broadband networks that utilize our advanced products and technologies. Potential service providers include wireless service providers, cable operators, multimedia content distributors, applications service providers and Internet service providers. We believe that a model under which service providers can utilize our spectrum to offer advanced wireless broadband services will help accelerate sales of our mobile broadband products and technologies.

Grow and extend PacketVideo's multimedia software business. We believe that the number of multimedia enabled smartphones as a percentage of global handsets shipped annually will rise significantly over the next several years. We will seek to maintain PacketVideo's strong position in this growing market through the growth and extension of its existing multimedia software business. At present, the primary competitors for PacketVideo's multimedia software products are the internal multimedia design teams at the OEM handset manufacturers to whom PacketVideo markets its products and services. Furthermore, we believe that the deployment of mobile broadband networks will spawn the development of entire new categories of software applications that can take full advantage of the distinctive mobility features inherent in mobile broadband systems. While we expect the competition from the OEM internal multimedia design teams and other independent multimedia software providers to increase in the next few years, we expect PacketVideo will be able to leverage its PacketVideo Experience platform and DRM capabilities to fortify its position in the mobile wireless and converged broadband software business.

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Identify and pursue acquisitions and investments to accelerate and improve the development of our end-to-end wireless broadband solutions. We believe there are a number of companies participating in the WiMAX technology, wireless broadband and wireless multimedia sectors that could be attractive acquisition or investment candidates. We continue to monitor these opportunities and may pursue those which we believe will enhance our capabilities and product offerings.

Acquire additional wireless spectrum to complement our existing portfolio. We believe that expanding our spectrum footprint will make our spectrum more attractive to service providers. As such, we are actively evaluating spectrum acquisition and leasing opportunities and will pursue those which allow us to obtain complementary spectrum at prices that we believe to be attractive. We also believe that there may exist opportunities to obtain additional spectrum internationally which we will continue to monitor.

Our Products and Technologies

WiMAX/Wi-Fi Semiconductors

Based in San Diego, California, our Advanced Technology Group (ATG), a division of our NextWave Broadband subsidiary, is creating a family of semiconductor products, based on WiMAX and WiFi technology, to enhance the capabilities and economics of fixed and mobile WiMAX/Wi-Fi networks. These low-power, high-performance semiconductor products are intended to enable fixed and mobile WiMAX/Wi-Fi networks to more efficiently handle bandwidth-intensive and quality-of-service dependent applications such as mobile television, VoIP telephony, streaming audio and video, video conferencing and real-time gaming. While these semiconductor products will include special features to allow them to fully utilize NextWave's licensed spectrum (BRS/EBS, WCS, AWS), they are also being designed to operate on frequency bands most often allocated for mobile broadband use on a global basis.

The Advanced Technology Group is comprised of approximately 238 employees and full-time equivalent contractors and is led by a highly accomplished team of veteran engineers with broad experience in the development of advanced wireless communications technologies and products, such as digital baseband Application Specific Integrated Circuits ("ASICs"), radio frequency technologies including multi-band Radio-Frequency Integrated Circuits ("RFICs"), advanced antenna systems, software defined radios (SDRs), and mobile terminal designs. Advanced Technology Group team members have led major technology development initiatives at companies such as Intel, Motorola, Nokia, QUALCOMM and Texas Instruments and have been instrumental in developing some of today's dominant wireless technologies including CDMA. In addition, several key members of our technical team were leading contributors to the 802.16 family of standards

We believe that to fully optimize mobile WiMAX for the efficient delivery of bandwidth-intensive multimedia applications requires a system approach that encompasses all of the key elements of the WiMAX air interface. By adopting this approach, we expect to offer network infrastructure and device manufacturers a comprehensive suite of products including low-power WiMAX digital baseband ASICs and multi-band RFICs, software defined radio platforms and terminal device reference designs.

To develop its semiconductor products, ATG has organized its engineering resources into several product development groups including: a) RFIC engineering and design team; b) digital baseband engineering team; c) systems engineering team; and c) BTS radio product group. In addition, ATG has established a large team of system engineers to create an end-to-end system that integrates the products and technologies developed by its various product teams. These development activities are designed to produce an integrated platform of paired RF and baseband chipset families that will allow mobile device and network equipment manufacturers to design a variety of products using NextWave silicon products.

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Digital Baseband ASICs: An ASIC is an integrated circuit or chip customized for a specific purpose. Our family of WiMAX/Wi-Fi based digital baseband ASICs under development represent the core of our system architecture. Our first baseband WiMAX ASIC, the NW1100, is currently in the final stages of development and the final description of the circuit is expected to be sent to manufacture in the third quarter of 2007. This ASIC includes many of the enhancements that have been developed by ATG engineers and is designed to showcase and validate these innovations.. The family of baseband ASIC that ATG is developing include a wide array of interfaces to accommodate a wide range of device types including mobile handsets, PDAs, mobile PC cards, USB devices, and CPE modems. For this reason, ATG is also creating a family of device reference designs, including those for handsets and media players, that will highlight the features of its WiMAX ASIC products.

- Radio Frequency Integrated Circuits (RFICs): An RFIC is part of the front-end of a radio system that receives a radio frequency signal, converts it to a lower frequency and modifies it for further processing. Designed to utilize multiple spectral bands to improve performance and flexibility, our RFICs are part of an advanced radio frequency subsystem that is matched to our family of baseband ASICs and is expected to enable a mobile device to operate over a wide range of operational frequencies without sacrificing overall performance. We believe that enabling WiMAX to operate over multiple frequency bands will significantly improve the economics of WiMAX network deployments for the following reasons:

  - WiMAX network operators will have the ability to assemble a licensed spectrum footprint using multiple frequency bands as opposed to having to acquire scarce spectrum in a single frequency band;
  - carriers will have the ability to address network coverage and capacity issues via the acquisition of low-cost spectrum as opposed to costly cell splitting;
  - the ability of frequency-agile WiMAX devices to roam between multiple WiMAX networks will be facilitated; and
  - A single chipset family capable of addressing markets worldwide will permit economies of scale and result in lower device costs.

Our initial multi-band RFIC, the NW1200, was sent to manufacture in late 2006. Sample chips have undergone successful testing and evaluation. Additional testing will take place in combination with our NW1100 baseband WiMAX ACIS when available. The NW1200 RFIC operates in the 2.3-2.8 GHz and 3.3-3.8 GHz frequency bands and is designed for Time Division Duplexing (“TDD”) operation. The NW 2200 RFIC, currently under development, is expected to operate in the same frequency bands as the NW 1100, but will also support the AWS band (1.7-2.1 GHz) and will operate in frequency division duplex (“FDD”) mode. Both RFICs are designed to support WiMAX and Wi-Fi and are optimized to operate with the NextWave family of baseband WiMAX ASICS.

- Pico Base Transceiver Station (BTS): A BTS, also known as a wireless base station, includes equipment needed to transmit and receive radio signals (transceiver) to and from subscriber devices, antennas, and the electronics required to communicate with other network elements. Unlike a conventional BTS which can provide radio coverage over a radius of several miles, a pico BTS is much smaller in size and is intended to provide low-cost capacity and coverage relief in very small geographic areas. NextWave is currently in the design phase of silicon products to support a PicoBTS/Access point product family. This design is currently being implemented in field-programmable gate array (“FPGA”) form and will be field tested later this year.

PacketVideo Multimedia Software Products

Based in San Diego, our PacketVideo subsidiary has approximately 387 employees and full-time equivalent contractors and is a global provider of embedded multimedia software products for mobile devices. PacketVideo was formed as a Delaware corporation in August 1998 and was privately held prior to its acquisition by NextWave in July 2005.

PacketVideo's software, which it licenses to the world's leading mobile device manufacturers and wireless carriers, transforms a mobile phone or other mobile device into a feature-rich multimedia device that allows people to stream, download, and play video and music, receive live TV, or engage in two way video telephony. PacketVideo's innovations and engineering leadership have led to breakthroughs in content encoding, content delivery systems, and advanced multimedia-enabled handset development around the world.

For mobile device manufacturers, shorter product cycles and increasing demand for advanced technologies are driving collaboration with third party solution providers, such as PacketVideo, to aid their product development. We believe that PacketVideo's technical capabilities and depth of knowledge are key reasons why PacketVideo has been chosen by the world's largest device manufacturers and wireless carriers to help them quickly develop and introduce new multimedia enabled handsets and multimedia services to the market. Over one hundred million handsets containing PacketVideo software have been shipped worldwide by device manufacturers including LGE, Motorola, Nokia and Samsung. In addition, PacketVideo provides multimedia software solutions to some of the world's largest wireless carriers including NTT DoCoMo, Orange, T-Mobile and Verizon Wireless. According to IDC, high-end mobile phones and converged mobile devices represented 20% of all mobile phones shipped in 2005. This percentage is expected to increase to 45% of the more than one billion handsets forecasted to be shipped in 2008. We believe that this trend, combined with forthcoming software from PacketVideo that contains major enhancements, will enable PacketVideo to maintain its strong market share position.

PacketVideo's current suite of device embedded software solutions are based on a modular architecture to enable rapid integration with the industry's leading hardware platforms and operating systems.

PacketVideo Multimedia Framework. PacketVideo's core software product powers the playback of video and music in millions of mobile phone handsets worldwide. The PacketVideo Multimedia Framework is an embedded client with modular options to enable the downloading, streaming, and playback of content files based on all major media formats. PacketVideo Multimedia Framework codec modules include: WMA 9/10/Pro, WMV 9, AAC, HE-AAC, HE-AAC V2, AVC/H.264, MPEG-4, Real Audio, Real Video, MP3, MP3 PRO, AMR and WB-AMR.

PacketVideo Connect. PacketVideo Connect is a family of customizable software products that auto-detect and link popular devices through the home, allowing end-users to share and enjoy all kinds of mobile-multimedia content on the devices of their choice. The PacketVideo Connect server is certified by the Digital Living Network Alliance (DLNA), a consortium of more than 300 consumer electronics and technology companies. The software is interoperable with hundreds of other DLNA-certified home electronic and mobile devices.

PacketVideo Mobile TV Solutions. PacketVideo's mobile TV solutions enable mobile broadcast TV. Features include live streaming TV, video-on-demand, high-performance multimedia codecs, picture-in-picture, personal video recorder, fast channel changing, and support for PacketVideo or third-party Electronic Service Guide

PacketVideo Multimedia Communications. PacketVideo's two-way video telephony software solution is 324M-compliant real-time video telephony—for two-way voice and video conversations and video conferencing. Features include picture-in-picture, call recording option, Push-to-Talk (VOIP support) and SIP support for push-to-view.

PacketVideo Imaging Solutions. PacketVideo's advanced imaging engine renders photos, organizes albums and edits pictures, all on the handset. PacketVideo's imaging technology significantly improves the user experience with rapid access to images created by the mobile device's camera, with the additional benefit of highly optimized memory. In addition, the software enables users to record their own audio, video and digital photos directly on the handset.

PacketVideo Digital Rights Management ("DRM") Solutions. A mobile implementation of content protection and business rules for commercial media consumption. DRM types supported include: WindowsMedia DRM, OMA 1.0 and 2.0, SDC - Java DRM, and NDSF. In addition, PacketVideo owns, and is further developing SDC - Java DRM.

PacketVideo Experience Application. PacketVideo Experience is a mobile web 2.0 media services application designed to add value to a mobile operator's existing content delivery services by managing and serving data about media content, rather than the media payload. It is designed to enable a personalized music entertainment experience for users based on their personal preferences:

The introduction of affordable, high-speed Internet service via DSL and cable broadband provided software developers with a unique opportunity to develop entire new categories of software applications. Many of these applications focused on the capture, manipulation, and transmission of multimedia content such as music, images, and video. Several, such as iTunes, Windows Media Player, Google Video, and peer-to-peer applications such as BitTorrent have achieved extremely high levels of popularity and, in some cases, spawned businesses with market valuations that exceed those of the companies that actually provide broadband connections to end-users. We believe that a similar opportunity to develop innovative software applications, optimized for the mobile environment, exists with the wide scale introduction of affordable mobile broadband services.

The emergence of mobile broadband will necessitate the development of new categories of software applications optimized to take full advantage of the distinctive mobility features inherent in mobile broadband systems. To be successful, developers of these new software applications must accommodate the complexities (e.g., variable connection rates) and unique capabilities (e.g., mobile positioning) associated with wireless broadband and will need to overcome mobile device (e.g., smartphones) design restrictions such as limited memory, power limitation and on-board processing capabilities. In addition, mobile application software developers will need to fully understand underlying 4G wireless broadband network technologies such as WiMAX to ensure optimal performance of their multimedia software applications in a challenging wireless environment. We expect that global deployments of mobile broadband networks will create a unique opportunity for software developers such as PacketVideo to create innovative multimedia software applications and server platforms optimized for the mobile and converged media environment.

We believe that PacketVideo is well positioned to help develop these types of next-generation, mobile broadband software applications for the following reasons:

- PacketVideo is already a global provider of device embedded, mobile multimedia software and has broad experience in developing software for memory and processor limited mobile devices.

- As part of NextWave, PacketVideo will have full access to the company's extensive mobile broadband technology development activities and will be able to develop new multimedia software applications that take full advantage of the unique capabilities we are designing into our products and technologies.

- Unlike the aforementioned PC software environment, there are no dominant mobile device operating systems and, in fact, over two dozen such operating systems are currently in use by mobile handset manufacturers worldwide. PacketVideo's software has been engineered to work with virtually all of the most popular mobile device operating systems in use today. By maintaining this flexible approach, we believe that PacketVideo's next generation of mobile broadband software will be well-positioned to enjoy continued wide scale industry adoption.

GO Networks Mobile Broadband Wireless Network Systems

Based in Mountain View, CA, with a major technology development center located in Tel Aviv, Israel, our GO Networks subsidiary has approximately 67 employees and provides commercial and municipal service providers with high-performance mobile Wi-Fi systems. As noted above, GO Networks, inclusive of these employees, was acquired in February 2007.

GO Networks' Mobile Broadband Wireless system combines xRF™