WAVE WIRELESS CORP
Form S-4/A
February 13, 2006

As Filed with the Securities and Exchange Commission on February 13, 2006

Registration No.: 333-13157

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

AMENDMENT NO. 1
TO
FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

WAVE WIRELESS CORPORATION
(Exact Name of Registrant as Specified in its Charter)

Delaware	**4813**	**77-0289371**
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

Wave Wireless Corporation
1996 Lundy Avenue
San Jose, CA 95131
(408) 943-4200
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Daniel W. Rumsey
Acting Chief Executive Officer
Wave Wireless Corporation
1996 Lundy Avenue
San Jose, CA 95131
(408) 943-4200
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

Copies to:

John Lee, Esq.	David Broadwin, Esq.
Procopio, Cory, Hargreaves & Savitch LLP	Foley Hoag LLP
530 B Street, Suite 2100	155 Seaport Boulevard
San Diego, CA 92101	Boston, MA 02210
(619) 238-1900	(617) 832-1000

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, check the following box. þ

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) 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

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

255 Consumers Road, Suite 500
Toronto, Ontario
Canada A6 M2J 1R4

MERGER PROPOSAL - YOUR VOTE IS VERY IMPORTANT

To the Stockholders of WaveRider Communications Inc.:

WaveRider Communications Inc., Wave Wireless Corporation and Wave Acquisition Corporation, a wholly owned subsidiary of Wave Wireless, have entered into an Agreement and Plan of Merger, dated as of January 3, 2006, as amended. The merger contemplated by the merger agreement will result in the combination of the businesses of Wave Wireless and WaveRider.

The board of directors of WaveRider believes that the proposed merger is a strategic fit that brings together complementary business lines, engineering skills, sales and marketing capabilities and innovative technology. The combination of Wave Wireless' SPEEDLAN family of mesh networking products and WaveRider's Last Mile Solution® non-line-of-sight, fixed and mobile wireless 900 MHz products will provide customers with a wide range of line-of-sight and non-line-of-sight products and services, and position the combined company as a worldwide provider of robust, wireless broadband applications and solutions. The combined company will offer wireless broadband solutions capable of delivering high-speed connectivity to a variety of large and rapidly growing market segments, including public safety, and security and surveillance for a broad range of public and private sector customers.

Upon completion of the merger, WaveRider anticipates that its stockholders will be entitled to receive approximately 1.3 shares of Wave Wireless common stock for each share of WaveRider common stock then held by them, together with cash in lieu of fractional shares. The precise number of shares of Wave Wireless common stock to be issued for each share of WaveRider common stock in the merger is subject to adjustment and will not be determined until immediately prior to the completion of the merger. Wave Wireless common stock is traded over the counter on the OTC Bulletin Board of the National Association of Securities Dealers, Inc. under the trading symbol "WVWC." On February 8, 2006, the closing sale price of Wave Wireless common stock on the OTC Bulletin Board was $0.16. WaveRider common stock is traded on the OTC Bulletin Board under the trading symbol "WAVR." On February 8, 2006, the closing sale price of WaveRider common stock on the OTC Bulletin Board was $0.12.

The merger cannot be completed unless and until WaveRider stockholders approve and adopt the merger agreement and approve the merger. The WaveRider board of directors unanimously recommends that WaveRider stockholders vote "**FOR**" the proposal to approve and adopt the merger agreement and approve the merger.

We encourage you to read this proxy statement/prospectus for important information about the merger and the WaveRider special meeting. In particular, you should carefully consider the discussion in the section of the accompanying proxy statement/prospectus entitled "Risk Factors" beginning on page 17.

Sincerely,

/s/ Charles W. Brown
Charles W. Brown
Chief Executive Officer

Toronto, Ontario
February 9, 2006

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if the accompanying proxy statement/ prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.

The accompanying proxy statement/prospectus is dated February 9, 2006, and is first being mailed to WaveRider stockholders on or about February 14, 2006.

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255 Consumers Road, Suite 500
Toronto, Ontario
Canada A6 M2J 1R4
(416) 502-3200

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To the Stockholders of WaveRider Communications Inc.:

You are cordially invited to attend a special meeting of the stockholders of WaveRider Communications Inc. to be held at 255 Consumers Road, Suite 500, Toronto, Ontario Canada M2J 1R4, on March 20, 2006, at 2:00 p.m. At the special meeting, you will be asked to vote on and approve the following proposals:

1. To approve and adopt the Agreement and Plan of Merger, dated as of January 3, 2006, as amended, among Wave Wireless Corporation, WaveRider Communications Inc. and Wave Acquisition Corporation, and to approve the merger contemplated by the Agreement and Plan of Merger, as amended.

2. To approve any motion for adjournment or postponement of the special meeting to another time or place to permit, among other things, further solicitation of proxies if necessary to establish a quorum or to obtain additional votes in favor of Proposal 1.

Upon completion of the merger, WaveRider anticipates that its stockholders will be entitled to receive approximately 1.3 shares (subject to adjustment) of Wave Wireless common stock for each share of WaveRider common stock held by them, together with cash in lieu of fractional shares (see page 45).

No other business will be conducted at the special meeting. These proposals are described more fully in this proxy statement/prospectus. Please give your careful attention to all of the information in this proxy statement/prospectus.

Only stockholders of record of WaveRider common stock at the close of business on February 8, 2006, the record date for the special meeting, are entitled to notice of and to vote at this special meeting or any adjournment(s) or postponement(s) that may take place.

Your vote is important. Whether or not you expect to attend the special meeting in person, you are urged to complete, sign, date and return the enclosed proxy card or voting instruction card as soon as possible or to vote by telephone or on the Internet using the instructions on the enclosed proxy card or voting instruction card.

YOU MAY BE ENTITLED TO ASSERT DISSENTERS' RIGHTS UNDER NEVADA REVISED STATUTES 92A.300 TO 92A.500, INCLUSIVE, WITH RESPECT TO THE MERGER AND OBTAIN CASH PAYMENT FOR THE FAIR VALUE OF YOUR SHARES INSTEAD OF THE CONSIDERATION PROVIDED FOR IN THE MERGER AGREEMENT. FOR SPECIFIC INSTRUCTIONS ON HOW TO ASSERT YOUR DISSENTERS' RIGHTS, PLEASE REFER TO THE SECTION OF THIS PROXY/STATEMENT PROSPECTUS ENTITLED "DISSENTERS' RIGHTS OF APPRAISAL" BEGINNING ON PAGE 43.

For specific instructions on how to vote your shares, please refer to the section of this proxy statement/prospectus entitled "The Special Meeting of WaveRider Stockholders" beginning on page 30. Returning the proxy card or voting instruction card or voting by telephone or on the Internet does not deprive you of your right to attend the meeting and to vote your shares in person. If you need any assistance in the voting of your proxy card, please contact Investor Relations, WaveRider Communications Inc., 255 Consumers Road, Suite 500, Toronto, Ontario, Canada, M2J 1R4, (416) 502-3200.

By Order of the Board of Directors

/s/ Charles W. Brown
Charles W. Brown
Chief Executive Officer

Toronto, Ontario
February 9, 2006

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ADDITIONAL INFORMATION

This proxy statement/prospectus incorporates important business and financial information about WaveRider and Wave Wireless from documents that each company has filed with the Securities and Exchange Commission but that have not been included in or delivered with this proxy statement/prospectus. For a listing of documents incorporated by reference into this proxy statement/prospectus, please see the section entitled "Where You Can Find More Information" on page 123 of this proxy statement/prospectus.

WaveRider will provide you with copies of this information relating to WaveRider (excluding all exhibits unless WaveRider has specifically incorporated by reference an exhibit in this proxy statement/prospectus), without charge, upon written or oral request to:

WaveRider Communications Inc.
255 Consumers Road, Suite 500
Toronto, Ontario
Canada, M2J 1R4
Attention: Investor Relations
(416) 502-3200.

Wave Wireless will provide you with copies of this information relating to Wave Wireless (excluding all exhibits unless Wave Wireless has specifically incorporated by reference an exhibit in this proxy statement/prospectus), without charge, upon written or oral request to:

Wave Wireless Corporation
1996 Lundy Avenue
San Jose, CA 95131
Attention: Corporate Secretary
(408) 943-4200

In order to receive timely delivery of the documents, you must make your requests no later than March 10, 2006.

QUESTIONS AND ANSWERS REGARDING THE PROPOSED MERGER

The following questions and answers are intended to address briefly some commonly asked questions regarding the proposed merger and the WaveRider special meeting.

General Questions and Answers

Q: Why am I receiving this proxy statement/prospectus?

A: Wave Wireless and WaveRider have agreed to combine their businesses under the terms of a merger agreement that is described in this proxy statement/prospectus. A copy of the merger agreement is attached to this proxy statement/prospectus as Annex A. For specific information regarding the merger agreement, please refer to the section entitled "The Merger Agreement" beginning on page 45 of this proxy statement/prospectus.

In order to complete the merger, WaveRider stockholders must approve and adopt the merger agreement and approve the merger. WaveRider will hold a special meeting of its stockholders to obtain this approval. This proxy statement/prospectus contains important information about the merger and the WaveRider special meeting, and you should read it carefully. The enclosed voting materials allow you to vote your shares of WaveRider common stock without attending the WaveRider special meeting.

Your vote is important. We encourage you to vote as soon as possible. For more specific information on how to vote, please see the questions and answers about the WaveRider special meeting below.

Q: What is the merger?

A: The merger is a proposed business combination between Wave Wireless and WaveRider where Wave Acquisition Corporation, a wholly owned subsidiary of Wave Wireless, will merge with and into WaveRider, with WaveRider surviving the merger and becoming a wholly owned subsidiary of Wave Wireless immediately following the merger.

Q: Why are Wave Wireless and WaveRider proposing to merge? (see page 36)

A: The boards of directors of Wave Wireless and WaveRider believe that the proposed merger will create a combined company that will establish a position as a worldwide provider of robust, wireless broadband applications and solutions. The merger will bring together Wave Wireless' SPEEDLAN family of 2.4GHz, 4.9GHz and 5.8GHz mesh networking products and WaveRider's Last Mile Solution® non-line-of-sight, fixed and mobile wireless 900MHz products to provide customers with a range of line-of-sight and non-line-of-sight products and services, and position the combined company as a leading worldwide provider of wireless broadband applications and solutions. For a detailed description of WaveRider's reasons for the merger, please refer to the section entitled "The Merger—WaveRider's Reasons for the Merger" beginning on page 36 of this proxy statement/prospectus.

Q: How does WaveRider's board of directors recommend that I vote? (see page 38)

A: After careful consideration, WaveRider's board of directors has determined that the merger with Wave Wireless is advisable, fair to and in the best interests of WaveRider and its stockholders and unanimously approved the merger agreement and the merger. Accordingly, WaveRider's board of directors unanimously recommends that WaveRider stockholders vote "**FOR**" the proposal to approve and adopt the merger agreement and approve the merger. For a description of the reasons underlying the recommendation of WaveRider's board of directors with respect to the merger, please refer to the section of this proxy statement/prospectus entitled "The Merger—WaveRider's Reasons for the Merger" beginning on page 36 of this proxy/statement/prospectus. WaveRider's board of directors also unanimously recommends the WaveRider stockholders vote "**FOR**" the proposal to permit adjournment or postponement of the WaveRider special meeting.

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Q: What will I receive in the merger? (see page 45)

A: If the merger is completed, it is expected that you will be entitled to receive approximately 1.3 shares of Wave Wireless common stock (subject to adjustment as described in the section entitled "The Merger Agreement—Conversion of WaveRider Common Stock in the Merger" on page 45 of this proxy statement/prospectus) for each share of WaveRider common stock that you own at the effective time of the merger. No fractional shares of Wave Wireless common stock will be issued in the merger. If you would otherwise be entitled to receive a fraction of a share of Wave Wireless common stock, you will receive an amount of cash equal to the value of the fractional share.

Q: What should I do now?

A: Please review this proxy statement/prospectus carefully and sign, date and return each proxy card and voting instruction card you receive as soon as possible.

Q: Do I need to send in my WaveRider stock certificate now?

A: No. You should not send in your WaveRider stock certificates now. Following the merger, a letter of transmittal will be sent to WaveRider stockholders informing them where to deliver their WaveRider stock certificates in order to receive shares of Wave Wireless common stock and any cash in lieu of a fractional share of Wave Wireless common stock. You should not send in your WaveRider common stock certificates prior to receiving this letter of transmittal.

Q: What percentage of Wave Wireless capital stock will former WaveRider stockholders own after the merger? (see page 45)

A: Following the merger, the former securityholders of WaveRider will own approximately 50% of the outstanding shares of Wave Wireless common stock on a fully-diluted basis, which assumes that all outstanding options and warrants to acquire shares of Wave Wireless common stock are exercised and that all outstanding shares of Wave Wireless' convertible preferred stock are converted into shares of Wave Wireless common stock.

Q: What vote is required to approve and adopt the merger agreement and approve the merger? (see page 31)

A: Approval and adoption of the merger agreement and approval of the merger requires the affirmative vote of the holders of a majority of the shares of WaveRider's voting stock outstanding on February 8, 2006, the record date for the WaveRider special meeting.

Q: What vote is required to approve the proposal to permit adjournment or postponement of the WaveRider special meeting? (see page 31)

A: The affirmative vote of the holders of a majority of the shares of WaveRider voting stock present in person or represented by proxy and entitled to vote thereon is necessary for this proposal to pass.

Q: When do Wave Wireless and WaveRider expect to complete the merger?

A: Wave Wireless and WaveRider are working toward completing the merger as quickly as possible and currently plan to complete the merger in Wave Wireless' first fiscal quarter of 2006. However, the exact timing of the completion of the merger cannot be predicted because the merger is subject to approval of the stockholders of WaveRider, governmental and regulatory review processes and other conditions set forth in the merger agreement.

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Q: As a WaveRider stockholder, will I be able to trade the Wave Wireless common stock that I receive in connection with the merger? (see page 42)

A: The shares of Wave Wireless common stock issued to you in connection with the merger will be freely tradable, unless you are an affiliate of WaveRider, and will be listed on the OTC Bulletin Board under the symbol “WVWC.” Persons who are deemed to be affiliates of WaveRider must comply with Rule 145 under the Securities Act of 1933, as amended, if they wish to sell or otherwise transfer any of the shares of Wave Wireless common stock that they receive in connection with the merger.

Q: Am I entitled to appraisal rights? (see page 43)

A: Yes. Under Nevada law, appraisal rights are available to WaveRider stockholders in connection with the merger.

Q: What will happen to WaveRider’s outstanding options and warrants in the merger? (see page 53)

A: All options and warrants to purchase shares of WaveRider common stock outstanding at the effective time of the merger will be assumed by Wave Wireless and will become exercisable for shares of Wave Wireless common stock. The number of shares of Wave Wireless common stock issuable upon the exercise of these options and warrants will be the number of shares of WaveRider common stock subject to the assumed option or warrant multiplied by the exchange ratio (subject to adjustment as described in the section entitled “The Merger Agreement—Conversion of WaveRider Common Stock in the Merger” on page 45 of this proxy statement/prospectus), rounded down to the nearest whole number of shares. The exercise price per share of each assumed WaveRider option and warrant will be equal to the exercise price of the assumed WaveRider option or warrant divided by the exchange ratio (subject to adjustment as described in the section entitled “The Merger Agreement—Conversion of WaveRider Common Stock in the Merger” on page 45 of this proxy statement/prospectus), rounded up to the nearest whole cent. Other than with respect to the number of shares subject to WaveRider’s outstanding options and warrants and the exercise price, both of which will be adjusted as described above, the assumed WaveRider options and warrants will continue to have the same terms and conditions as they had prior to the merger.

Q: What will happen to WaveRider’s convertible debentures? (see page 46)

A: As of December 31, 2005, Crescent International Ltd. (“Crescent”), held convertible debentures issued by WaveRider with a total outstanding principal amount of approximately $1.5 million. Prior to the completion of the merger, WaveRider will issue to Crescent a number of shares of WaveRider’s Series D Convertible Preferred Stock with an aggregate face value of $350,000 as consideration for Crescent’s agreement to: (i) not convert most of its convertible debentures into shares of WaveRider common stock prior to the merger, (ii) vote in favor of the merger, and (iii) exchange the convertible debentures and preferred shares for Wave Wireless’ equity securities in the merger. In the merger, all outstanding shares of WaveRider’s convertible preferred stock issued to Crescent and all of WaveRider’s outstanding convertible debentures will be converted, in the aggregate, into equity securities of Wave Wireless, as more fully described in the section entitled “The Merger Agreement—Conversion of WaveRider Convertible Debentures and Convertible Preferred Stock” on page 46 of this proxy statement/prospectus.

Q: What are the tax consequences of the merger to me? (see page 41)

A: Wave Wireless and WaveRider expect, but cannot assure you, that for United States federal income tax purposes you will not recognize gain or loss on your exchange of WaveRider common shares in the merger for shares of Wave Wireless common stock, except to the extent of the cash, if any, received in lieu of a fractional share of common stock of the combined company. It is possible, however, that you may recognize gain or loss in the exchange, to the extent of the difference between the fair market value of the Wave Wireless common stock and cash you receive in the merger and your adjusted tax basis in your shares of WaveRider common stock that you exchange therefor. See the section entitled “The Merger—Material U.S. Federal Income Tax Consequences of the Merger” beginning on page 41.

Q: What risks should I consider in deciding whether to vote in favor of approving and adopting the merger agreement and approving the merger? (see page 17)

A: You should carefully review the section of this proxy statement/prospectus entitled “Risk Factors” beginning on page 17 which sets forth certain risks and uncertainties related to the merger, as well as risks and uncertainties to which the combined company’s business will be subject. Additionally, each of Wave Wireless and WaveRider are, as independent companies, subject to certain risks and uncertainties as more fully described in Wave Wireless’ Annual Report on Form 10-K/A and WaveRider’s Annual Report on Form 10-KSB/A for the fiscal year ended December 31, 2004, each of which is available on the SEC website. The address of the SEC website is http://www.sec.gov.

Q: How can I find out whether the stockholders of WaveRider approved the merger proposal?

A: Wave Wireless and WaveRider intend to issue a joint press release announcing the voting results of the WaveRider special meeting promptly after the meeting is held.

Questions and Answers About the WaveRider Special Meeting

Q: When and where will the WaveRider special meeting be held? (see page 30)

A: The special meeting of WaveRider stockholders will begin promptly at 2:00 p.m., local time, at WaveRider’s headquarters located at 255 Consumers Road, Suite 500, Toronto, Ontario, M2J 1R4 on March 20, 2006. Check in will begin at 1:00 p.m. Please allow ample time for the check-in procedures.

Q: How can I attend the WaveRider special meeting? (see page 31)

A: You are entitled to attend the special meeting only if you were a WaveRider stockholder as of the close of business on February 8, 2006, the record date for the WaveRider special meeting, or you hold a valid proxy for the special meeting. You should be prepared to present valid government-issued photo identification for admittance to the special meeting. In addition, if you are a record holder, your name will be verified against the list of record holders on the record date prior to being admitted to the meeting. If you are not a record holder but hold shares through a broker or nominee (i.e., in street name), you should provide proof of beneficial ownership on the record date, such as your most recent account statement prior to the record date, or other similar evidence of ownership. If you do not provide valid government-issued photo identification or comply with the other procedures outlined above upon request, you may not be admitted to the special meeting.

Q: How can I vote? (see page 32)

A: You may direct your vote without attending the WaveRider special meeting. If you are a stockholder of record, you may vote by granting a proxy. If you hold shares of WaveRider in street name, you may vote by

- completing, signing, dating and returning the proxy card in the pre-addressed envelope provided;
- using the telephone; or
- using the Internet.

For specific instructions on how to vote by telephone or through the Internet, please refer to the instructions on your proxy or voting instruction card. If you hold your shares of WaveRider common stock in a stock brokerage account or if your shares are held in street name, you must provide the record holder of your shares with instructions on how to vote your shares. Please check the voting instruction card used by your broker or nominee to see if you may vote using the telephone or the Internet. If you are a stockholder of record, you may also vote at the WaveRider special meeting. If you hold shares in street name, you may not vote in person at the WaveRider special meeting unless you obtain a signed proxy from the record holder giving you the right to vote the shares.

Q: If my shares are held in "street name" by my broker, will my broker vote my shares for me?

A: Your broker will vote your shares only if you provide instructions on how to vote. Therefore, you should be sure to provide your broker with instructions on how to vote your shares. Without instructions, your shares will not be voted, which will have the effect of a vote against the approval and adoption of the merger agreement and approval of the merger.

Q: What should I do if I receive more than one set of voting materials?

A: **Please complete, sign, date and return each proxy card and voting instruction card that you receive.** You may receive more than one set of voting materials, including multiple copies of this proxy statement/prospectus and multiple proxy cards or voting instruction cards. For example, if you hold shares in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold shares. If your shares are held in more than one name, you will receive more than one proxy or voting instruction card.

Q: May I change my vote after I have mailed my signed proxy or voting instruction card or voted using the telephone or Internet? (see page 33)

A: Yes. If you have completed a proxy, you may change your vote at any time before your proxy is voted at the WaveRider special meeting. You can do this in one of four ways:

- send a written, dated notice to the Secretary of WaveRider at WaveRider's principal executive offices stating that you would like to revoke your proxy;
- complete, date and submit a new later-dated proxy card;
- vote at a later date by telephone or by using the Internet; or
- attend the special meeting and vote in person. Your attendance alone will not revoke your proxy.

If you have instructed a broker or bank to vote your shares of WaveRider common stock by executing a voting instruction card or by using the telephone or Internet, you must follow the directions received from your broker or bank to change your instructions.

Q: What happens if I do not indicate how to vote on my proxy card? (see page 32)

A: If you sign and send in your proxy card and do not indicate how you want to vote, your proxy will be counted as a vote "**FOR**" the proposal to approve and adopt the merger agreement and approve the merger and "**FOR**" the proposal to permit adjournment or postponement of the WaveRider special meeting.

Q: What happens if I do not return a proxy card or vote? (see page 32)

A: If you do not sign and send in your proxy card, vote using the telephone or Internet or vote at the special meeting or if you mark the "abstain" box on the proxy card, it will have the same effect as a vote against the approval and adoption of the merger agreement and approval of the merger. Moreover, failure to vote or give voting instructions to your broker or nominee for the WaveRider special meeting could make it more difficult to ensure that a quorum is present at the WaveRider special meeting. Therefore, whether or not you plan on attending the special meeting, you are urged to vote.

Q: Who can answer my questions about the merger or WaveRider's special meeting of stockholders?

A: If you would like additional copies of this proxy statement/prospectus without charge or if you have any questions about the merger or WaveRider's special meeting of stockholders, including the procedures for voting your shares, you should contact:

Investor Relations
WaveRider Communications Inc.
255 Consumers Road, Suite 500
Toronto, Ontario M2J 1R4
Phone: (416)502-3200
Email: investors@WaveRider.com

SUMMARY

The following is a summary of the information contained in this proxy statement/prospectus. This summary may not contain all of the information about the merger and the adjournment proposal that is important to you. For a more complete description of the merger and the adjournment proposal, we encourage you to read carefully this entire proxy statement/prospectus, including the attached annexes. You are encouraged to read the information under the heading "Risk Factors" beginning on page 17 of this proxy statement/prospectus for a discussion of important factors you should consider in connection with the merger. For more information, please see "Where You Can Find More Information" on page 123 of this proxy statement/prospectus.

The Merger and the Merger Agreement

Wave Wireless has agreed to acquire WaveRider under the terms of a merger agreement between the companies that is described in this proxy statement/prospectus. Under the terms of the merger agreement, Wave Acquisition Corporation, a newly formed, wholly-owned subsidiary of Wave Wireless, will merge with and into WaveRider with WaveRider surviving the merger as a wholly-owned subsidiary of Wave Wireless. Upon completion of the merger, it is anticipated that holders of WaveRider common stock will be entitled to receive approximately 1.3 shares of Wave Wireless common stock (subject to adjustment as described in the section entitled "The Merger Agreement—Conversion of WaveRider Common Stock in the Merger" on page 45 of this proxy statement/prospectus) for each share of WaveRider common stock that they then hold. A copy of the merger agreement is attached as Annex A to this proxy statement/prospectus, and we encourage you to read the merger agreement in its entirety.

Parties to the Merger

Wave Wireless Corporation
1996 Lundy Avenue
San Jose California 95131
(408) 943-4200

Wave Wireless develops, manufactures, and markets highly secure and reliable wireless mesh routers to the telecommunications market worldwide. Wave Wireless' wireless mesh routers are designed to combine high performance, multiple operating frequencies and hardware AES encryption to provide networking professionals with flexible and scalable mesh routers for integrated network requirements of Internet access and private networks including security and surveillance requirements. Cellular and personal communications service (PCS) providers utilize Wave Wireless' repair and maintenance business for a range of services required to support technical issues associated with the installation, maintenance and operation of refurbished legacy Wave Wireless licensed products. Wave Wireless is traded on the OTC Bulletin Board, under the symbol "WVWC." For more information visit www.wavewireless.com or call 408-943-4200.

WaveRider Communications Inc.
255 Consumers Road, Suite 500
Toronto, Ontario M2J 1R4
(416) 502-3200

WaveRider Communications Inc. provides broadband wireless deployments and technologies. WaveRider's Last Mile Solution® non-line-of-sight 900 MHz and 5.8 GHz networks enable communications providers to establish full-saturation coverage networks, deliver communications services, and generate a rapid return on their investment. WaveRider is committed to the development of standards-based wireless technologies that support advanced applications and address the needs of the North American and International markets. WaveRider is traded on the OTC Bulletin Board, under the symbol WAVR. For more information, visit www.waverider.com or call (416) 502-3200.

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Wave Acquisition Corporation
1996 Lundy Avenue
San Jose California 95131
(408) 943-4200

Wave Acquisition Corporation is a newly formed, wholly owned subsidiary of Wave Wireless. Wave Acquisition Corporation was formed on December 28, 2005 solely to effect the merger and has not conducted any business during any period of its existence.

Recommendation of the WaveRider Board of Directors (see page 38)

After careful consideration, the WaveRider board of directors determined that the merger agreement and the merger are advisable, fair to and in the best interests of WaveRider and its stockholders and unanimously approved the merger agreement and the merger. The WaveRider board of directors unanimously recommends that the WaveRider stockholders vote "**FOR**" the proposal to approve and adopt the merger agreement and to approve the merger and "**FOR**" the proposal to permit adjournment or postponement of the WaveRider special meeting.

Risk Factors (see page 17)

The "Risk Factors" beginning on page 17 of this proxy statement/prospectus, should be considered carefully by WaveRider stockholders in evaluating whether to approve and adopt the merger agreement and approve the merger. These risk factors should be considered along with any additional risk factors in the reports of Wave Wireless and WaveRider filed with the Securities and Exchange Commission and any other information included in this proxy statement/prospectus.

Special Meeting of Stockholders of WaveRider (see page 30)

WaveRider will hold a special meeting of its stockholders on March 20, 2006, at 2:00 p.m., local time, at WaveRider's corporate headquarters located at 255 Consumers Road, Suite 500, Toronto, Ontario M2J 1R4, at which stockholders will be asked to vote upon a proposal to approve and adopt the merger agreement and approve the merger and a proposal to permit adjournment or postponement of the WaveRider special meeting.

All WaveRider Executive Officers and Directors Have Interests in the Merger (see page 39)

When WaveRider stockholders consider the recommendation of the WaveRider board of directors that they vote in favor of the proposal to approve and adopt the merger agreement and approve the merger, WaveRider stockholders should be aware that all of the WaveRider directors and executive officers have interests in the merger that may be different from, or in addition to, their interests as stockholders of WaveRider. These interests include:

- the continued indemnification of current directors and officers of WaveRider under the merger agreement and the continuation of directors' and officers' liability insurance after the merger;
- the retention of some of the officers of WaveRider as officers, employees or consultants of Wave Wireless or its subsidiaries, which include, Charles W. Brown, WaveRider's Chief Executive Officer, who will become Chief Executive Officer of Wave Wireless, and T. Scott Worthington, WaveRider's Chief Financial Officer, who will become Chief Financial Officer of Wave Wireless;
- appointment of three WaveRider designees to the Wave Wireless board of directors, in addition to Mr. Brown; and

- the assumption of WaveRider stock options by Wave Wireless.

For a more detailed description of the interests of the directors and executive officers of WaveRider, please see the section entitled “The Merger—Interests of WaveRider Directors and Executive Officers in the Merger” beginning on page 39 of this proxy statement/prospectus.

Conditions to Completion of the Merger (see page 54)

Several conditions must be satisfied or waived before we complete the merger, including those summarized below:

- approval and adoption of the merger agreement and approval of the merger by the affirmative vote of holders of a majority of the shares of WaveRider voting stock outstanding on the record date;
- absence of any law, regulation or order making the merger illegal or otherwise prohibiting or delaying the merger;
- accuracy of each party's respective representations and warranties in the merger agreement, except as would not have a material adverse effect on such party;
- material compliance by each party with its covenants in the merger agreement; and
- absence of any material change that has had or would have a material adverse effect on WaveRider.

WaveRider and Wave Wireless are Prohibited from Soliciting Other Offers (see page 51)

The merger agreement contains detailed provisions that prohibit WaveRider, Wave Wireless and their subsidiaries, and their officers and directors, from taking any action to solicit or engage in discussions or participate in negotiations with any person or group with respect to an acquisition proposal as defined in the merger agreement, including an acquisition that would result in the person or group acquiring more than a 15% interest in WaveRider's total outstanding voting securities, a sale of more than 15% of WaveRider's or Wave Wireless', as the case may be, assets or a merger or other business combination. WaveRider and Wave Wireless are also required to use commercially reasonable efforts to cause their non-officer employees and advisors to comply with these restrictions. The merger agreement does not, however, prohibit WaveRider or its board of directors from considering, and in the event of a tender or exchange offer made directly to WaveRider stockholders potentially recommending, an unsolicited bona fide written acquisition proposal from a third party if specified conditions are met.

Wave Wireless and WaveRider May Terminate the Merger Agreement Under Specified Circumstances (see page 55)

Wave Wireless and WaveRider may terminate the merger agreement by mutual consent with the approval of their respective boards of directors. In addition, either Wave Wireless or WaveRider may terminate the merger agreement if:

- the merger is not consummated by April 30, 2006;
- a court or other governmental entity issues a final, non-appealable order, decree or ruling or takes any other action having the effect of permanently restraining, enjoining or prohibiting the merger; or
- the WaveRider stockholders do not approve and adopt the merger agreement and approve the merger at the WaveRider special meeting.

Wave Wireless and WaveRider may terminate the merger agreement under other specified conditions described in the section entitled "The Merger Agreement—Termination of the Merger Agreement" on page 55 of this proxy statement/prospectus.

Payment of a Termination Fee under Specified Circumstances (see page 55)

The merger agreement may be terminated by either Wave Wireless or WaveRider under specified circumstances. If the merger agreement is terminated, Wave Wireless or WaveRider may be required to pay to the other party a termination fee of up to $300,000.

Treatment of the Merger for United States Federal Income Tax Purposes (see page 41)

Wave Wireless and WaveRider expect, but cannot be certain, that for United States federal income tax purposes, the merger will be treated as a tax-free reorganization, with the result that WaveRider stockholders will not recognize gain or loss on the exchange of WaveRider common shares in the merger for shares of Wave Wireless common stock, except to the extent of the cash, if any, received in lieu of a fractional share of common stock of the combined company. Inconsistencies under existing law and uncertainties raised by proposed Treasury Regulations, however, create the possibility that the merger will not be treated as a "reorganization" for United States federal income tax purposes, but will instead be treated as a taxable sale of WaveRider common shares, with the result that stockholders will recognize gain or loss in the merger.

Accounting Treatment of the Merger (see page 42)

In accordance with United States generally accepted accounting principles, Wave Wireless will account for the merger under the purchase method of accounting for business combinations.

Dissenters' Rights of Appraisal (see page 43)

Under Nevada law, the stockholders of WaveRider will be entitled to dissent from the merger and obtain cash payment for the fair value of their shares instead of the consideration provided for in the merger agreement.

Comparison of the Rights of Holders of Wave Wireless Common Stock and WaveRider Common Stock (see page 116)

Wave Wireless is incorporated under the laws of the State of Delaware and WaveRider is incorporated under the laws of the State of Nevada. WaveRider stockholders who receive shares of Wave Wireless common stock in connection with the merger will become holders of Wave Wireless common stock, and their rights as such will be governed by the laws of the State of Delaware and the certificate of incorporation and bylaws of Wave Wireless. For a more detailed description of the material differences between the rights of holders of Wave Wireless common stock and WaveRider common stock, please see the section entitled "Comparison of Rights of Holders of Wave Wireless common stock and WaveRider common stock" beginning on page 116 of this proxy statement/prospectus.

SUMMARY SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF WAVE WIRELESS

The table below presents a summary of selected historical consolidated financial data with respect to Wave Wireless as of the dates and for the periods indicated. The historical consolidated statement of operations data presented below for the fiscal years ended December 31, 2004, 2003 and 2002 and the historical balance sheet data as of December 31, 2004 and 2003 have been derived from Wave Wireless' audited historical consolidated financial statements, which are included in this proxy statement prospectus beginning on page F-C1. The historical consolidated statement of operations data for the nine months ended September 30, 2005 and September 30, 2004 and the historical balance sheet data as of September 30, 2005 and 2004 have been derived from Wave Wireless' unaudited interim condensed historical consolidated financial statements which are included in this proxy statement prospectus beginning on page F-B1. Operating results of the nine months ended September 30, 2005 and September 30, 2004 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2005 or any other period. In the opinion of Wave Wireless' management, the accompanying unaudited financial data included all adjustments (consisting only of normal recurring adjustments) necessary for their fair presentation. The historical consolidated statement of operations data presented below for the fiscal years ended December 31, 2001 and 2000 and the historical balance sheet data as of December 31, 2002, 2001 and 2000 are derived from Wave Wireless' audited historical consolidated financial statements which are not included in, or incorporated by reference into, this proxy statement/prospectus. The historical results are not necessarily indicative of results to be expected for any future period.

You should read the summary consolidated financial data set forth below in conjunction with Wave Wireless' historical financial statements and related notes set forth on pages F-C1 through F-C37 of this proxy statement/prospectus and the section entitled "Wave Wireless Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 73 of this proxy statement/prospectus.

	Year Ended December 31, 2004	2003	2002	2001	2000	Nine Months Ended September 30, 2005	2004
						(unaudited)	
	(in thousands, except per share data)						
Consolidated Statement of Operations Data:							
Total revenue	$ 24,175	$ 20,841	$ 29,686	$ 73,236	$ 183,606	$ 9,691	$ 19,897
Total cost of revenue (1)	18,720	20,604	30,777	94,890	160,965	7,028	15,009
Gross profit	5,455	237	(1,091)	(21,654)	22,641	2,663	4,888
Total operating expenses (2)(3)(4)	16,300	18,975	41,525	61,540	69,343	13,241	12,396
Loss from operations	(10,845)	(18,738)	(42,616)	(83,194)	(46,702)	(10,578)	(7,508)
Non-operating items (5)(6)(7)(8)(9)	7,525	5,852	(11,690)	7,656	(23,247)	(986)	7,942
Net income (loss)	$ (3,320)	$ (12,886)	$ (54,306)	$ (75,538)	$ (69,949)	$ (11,564)	$ 434
Preferred stock charges (10)	(2,548)	(1,521)	—	—	—	(3,829)	(2,132)
Net loss attributable to common stockholders	(5,868)	(14,407)	(54,306)	(75,538)	(69,949)	(15,393)	(1,698)
Basic and diluted loss per share (11)	$ (0.56)	$ (7.98)	$ (63.77)	$ (136.92)	$ (134.40)	$ (1.10)	$ (0.16)
Shares used in computing basic and diluted loss per share	10,429	1,805	852	552	520	13,931	10,842

	As of December 31, 2004	2003	2002	2001	2000	As of September 30, 2005	2004
						(unaudited)	
	(in thousands)						
Consolidated Balance Sheet Data:							
Total assets	$ 25,423	$ 34,565	$ 35,723	$ 92,234	$ 216,219	$ 17,361	$ 29,041
Working capital	1,283	(2,075)	(2,356)	(10,185)	76,823	(7,320)	1,730
Long-term portion of obligations	—	—	24,488	769	30,290	1,520	150
Redemable preferred stock (10)	6,106	4,231	—	—	—	—	5,849
Total stockholders' equity	$ 7,508	$ 9,753	$ (15,350)	$ 24,256	$ 95,247	$ 3,870	$ 9,989

(1) In 2004, this caption reflects charges of approximately $1.1 million for contractual losses and obsolescence of uncontracted inventory purchases. In 2003, this caption reflects charges of approximately $3.4 million related to excess and obsolete inventory. In 2002, this caption reflects charges of approximately $5.8 million related to excess and obsolete inventory. In 2001, this caption reflects charges of approximately $30 million related to excess inventory and inventory purchase commitments. In 2000, this caption reflects charges of $21.7 million related to excess inventory and purchase commitments.

(2) In 2001, this caption reflects a $11.6 million charge for bad debt arising from the bankruptcy of a customer.

(3)

In 2002, 2001 and 2000, this caption reflects impairment and amortization charges made to Wave Wireless' goodwill carrying value of $11.4 million, $8.0 million and $19.6 million, respectively.

(4) In 2003, this caption reflects restructuring charges that were recorded due to exiting certain product lines. Restructuring charges were expensed when the loss was estimable and incurred.

(5) In 2001, this caption reflects a realized gain on the sale of Wave Wireless' RT Masts subsidiary.

(6) In 2004, this caption reflects a restructuring gain of $7.5 million related to a contract settlement.

(7) In 2000, this caption includes a $9.9 million charge to income tax expense, representing an increase in the valuation allowance against the carrying value of deferred tax assets.

(8) Wave Wireless sold its PCNS subsidiary in 2003, which resulted in a loss of $1.5 million and accounted for the transaction as a discontinued operation. In accordance with applicable accounting standards, Wave Wireless restated its financial statements for all periods presented to exclude the operations of PCNS from continuing operations for all periods presented.

(9) In 2002, this caption reflects a $5.5 million charge representing the cumulative effect of Wave Wireless' change in accounting principle for accounting for goodwill. In 2002, this caption reflects a non-cash charge of approximately $1.5 million for the cumulative effect of the accounting change made to comply with SEC revenue recognition standards contained in Staff Accounting Bulletin SAB 101.

(10) The carrying value of Wave Wireless' redeemable preferred stock is discounted for the allocation of proceeds to warrants that were issued concurrent with the sale of redeemable preferred stock and beneficial conversion features embedded in the convertible instrument. Wave Wireless is accreting the redeemable preferred stock to its redemption value through periodic accretions that increase preferred stock and decrease retained earnings. Wave Wireless is required to display preferred stock accretions as an increase to loss applicable to common stockholders.

(11) The per share amounts have been restated to give effect to a one-for-30 reverse stock split on July 19, 2004. The numerator for calculation of net loss per common share from continuing operations is Wave Wireless' net loss from continuing operations for the respective period, less preferred stock dividends and accretions. The numerator for the calculation of net loss per common share from discontinued operations is Wave Wireless' net loss from discontinued operations. The numerator for calculation of the per common share effect of the cumulative effects of accounting changes is the charge associated with the change in accounting principle. In all instances, the denominator, weighted average common shares outstanding, does not include stock options with an exercise price that exceeds the average fair market value of the underlying Wave Wireless common stock or other dilutive securities because the effect would be anti-dilutive.

SUMMARY SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF WAVERIDER

The tables below present summary selected historical consolidated financial data of WaveRider prepared in accordance with U.S. GAAP. You should read the information set forth below in conjunction with the selected consolidated financial data, the audited consolidated financial statements (including the notes thereto) and Management's Discussion and Analysis of the Financial Condition and Results of Operations of WaveRider. Among other things, this section includes a discussion of accounting changes, business combinations and dispositions of businesses affecting the comparability of the information reflected in the selected financial data.

The summary selected historical consolidated statements of operations for each of the fiscal years in the three year period ended December 31, 2004 and the summary selected historical consolidated balance sheet data as of December 31, 2004 and 2003 are derived from the audited consolidated financial statements of WaveRider and the related notes thereto, which are included in this proxy statement/prospectus beginning on page F-E1. The summary selected historical consolidated statement of operations data for the fiscal years ended December 31, 2001 and 2000 and the summary selected historical consolidated balance sheet data as of December 31, 2002, 2001 and 2000 are derived from audited consolidated financial statements that are not included in, or incorporated by reference into, this proxy statement/prospectus.

	Year Ended December 31,					Nine Months Ended September 30,	
	2004	2003	2002	2001	2000	2005	2004
						(unaudited)	
	(in thousands, except per share data)						
Consolidated Statement of Operations Data:							
Total revenue	$ 9,542	$ 13,079	$ 9,009	$ 7,804	$ 4,133	$ 7,930	$ 7,388
Total cost of revenue	6,193	7,899	6,779	5,956	5,239	5,235	4,894
Gross profit	3,349	5,180	2,230	1,848	(1,106)	2,695	2,494
Total operating expenses	6,931	7,074	8,814	17,607	30,831	3,599	5,525
Loss from operations	(3,582)	(1,894)	(6,584)	(15,759)	(31,937)	(904)	(3,031)
Non-operating items	(1,943)	(308)	(4,666)	5,734	464	(180)	(2,010)
Net income (loss)	$ (1,639)	$ (1,586)	$ (11,250)	$ (21,493)	$ (31,473)	$ (1,084)	$ (1,021)
Basic and diluted loss per share	$ (0.11)	$ (0.12)	$ (1.07)	$ (3.74)	$ (5.92)	$ (0.05)	$ (0.07)
Shares used in computing basic and diluted loss per share	15,139	13,068	10,526	6,027	5,320	23,524	14,837

	As of December 31,					As of September 30,	
	2004	2003	2002	2001	2000	2005	2004
						(unaudited)	
				(in thousands)			
Consolidated Balance Sheet Data:							
Total assets	$ 3,838	$ 5,486	$ 5,484	$ 4,645	$ 20,933	$ 3,168	$ 9,553
Working capital	409	(46)	2,296	780	7,331	(580)	127
Long-term obligations	1,579	653	777	6	2,060	891	707
Total stockholders' equity	$ (873)	$ (291)	$ 1,927	$ 1,660	$ 12,183	$ (1,262)	$ 2,694

SELECTED UNAUDITED PRO FORMA
CONDENSED CONSOLIDATED FINANCIAL DATA

The following selected unaudited pro forma condensed consolidated financial data were prepared using the purchase method of accounting and are based upon the historical financial statements of Wave Wireless and WaveRider adjusted to give effect to the merger as if it had occurred on January 1, 2004 for the consolidated statement of operations data and on December 31, 2004 for the consolidated balance sheet data. After considering the criteria set forth in paragraphs 17-19 of Statement of Financial Accounting Standards No. 141, Wave Wireless and WaveRider have determined that, for accounting purposes, Wave Wireless is the acquiring entity in the merger (see page F-A4 of this proxy/statement/prospectus). The pro forma financial information for the year ended December 31, 2004 has been developed from (a) the audited consolidated financial statements of Wave Wireless for the year ended December 31, 2004, which are included in this proxy statement/prospectus beginning on page F-C1, and (b) the audited consolidated financial statements of WaveRider for the year ended December 31, 2004, which are included in this proxy statement/prospectus beginning on page F-E1. The pro forma financial information for the nine months ended September 30, 2005 has been developed from (a) the unaudited condensed consolidated financial statements of Wave Wireless for the nine months ended September 30, 2005, which are included in this proxy statement/prospectus beginning on page F-B1, and (b) the unaudited consolidated financial statements of WaveRider for the nine months ended September 30, 2005, which are included in this proxy statement/prospectus beginning on page F-D1.

The selected unaudited pro forma condensed consolidated financial data is based on estimates and assumptions, which are preliminary. This data is presented for informational purposes only and is not intended to represent or be indicative of the consolidated results of operations or financial condition of Wave Wireless that would have been reported had the merger been completed as of the dates presented, and should not be taken as representative of future consolidated results of operations or financial condition of Wave Wireless.

This selected unaudited pro forma condensed consolidated financial data should be read in conjunction with the summary selected historical consolidated financial data and the unaudited pro forma condensed consolidated financial statements and accompanying notes contained elsewhere in this proxy/statement prospectus and the separate historical consolidated financial statements and accompanying notes of Wave Wireless and WaveRider included in this proxy statement/prospectus beginning on page F-1.

Selected Unaudited Pro Forma Condensed Consolidated Financial Data (1)
(in thousands, except per share amounts)

	Year ended December 31, 2004	Nine months ended September 30, 2005
Pro forma consolidated statement of operations data:		
Total revenue	$ 33,717	$ 17,621
Gross profit	8,804	5,358
Income (loss) from operations	(14,427)	(11,482)
Non-operating items	7,346	(903)
Net income (loss)	(7,081)	(12,385)
Preferred stock accretions and dividends	(2,548)	(3,829)
Net loss attributable to common shareholders	$ (9,629)	$ (16,214)
Basic and diluted net income (loss) per share	$ (0.12)	$ (0.20)
Shares used in computing basic and diluted net income (loss) per share	78,142	81,644

		As of September 30, 2005
Pro forma consolidated balance sheet data:		
Non-restricted cash and cash equivalents, short- and long-term investments	$	854
Total assets		30,174
Working capital (deficiency)		(5,808)
Total long term liabilities		1,520
Total stockholders' equity	$	15,237

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(1) See the section entitled "Unaudited Pro Forma Condensed Consolidated Financial Information" on page 56 of this proxy statement/prospectus.

COMPARATIVE HISTORICAL AND PRO FORMA PER SHARE DATA

The following table presents certain unaudited historical per share data and pro forma per share data of Wave Wireless and WaveRider after giving effect to the acquisition of WaveRider by Wave Wireless using the purchase method of accounting. The pro forma data does not purport to be indicative of the results of future operations or the results that would have occurred had the acquisition been consummated at the beginning of the periods presented. The information set forth below should be read in conjunction with the historical consolidated financial statements and notes thereto of Wave Wireless and WaveRider included in this proxy statement/prospectus beginning on page F-1, and the unaudited pro forma condensed combined consolidated financial data included elsewhere in this proxy statement/prospectus. The unaudited pro forma combined and unaudited pro forma equivalent per share data combine the results of operations of Wave Wireless and WaveRider for the year ended December 31, 2004, the results of operations of Wave Wireless and WaveRider for the nine months ended September 30, 2005, and Wave Wireless' financial position at September 30, 2005 with WaveRider's financial position at September 30, 2005. No cash dividends have ever been declared or paid on Wave Wireless common stock or WaveRider common stock.

	Wave Wireless			WaveRider
Net income (loss) per share (diluted):			**Net income (loss) per share (diluted):**	
Year ended December 31, 2004		($0.56)	Year ended December 31, 2004	($0.11)
Nine months ended September 30, 2005		($1.10)	Nine months ended September 30, 2005	($0.05)
Book value (deficit) per share (1):			**Book value (deficit) per share (1):**	
December 31, 2004	$	0.63	December 31, 2004	($0.05)
September 30, 2005	$	0.28	September 30, 2005	($0.04)

		WaveWireless Pro Forma Combined	WaveRider Equivalent Pro Forma Combined (2)
Net income (loss) per share (diluted):			
Year ended December 31, 2004		($0.12)	($0.08)
Nine months ended September 30, 2005		($0.20)	($0.04)
Book value (deficit) per share (1):			
September 30, 2005	$	0.19	($0.03)

(1) Historical book value per share is computed by dividing stockholders' equity by the number of shares of Wave Wireless or WaveRider common stock outstanding at the end of each period. Pro forma book value per share is computed by dividing pro forma stockholders' equity by the pro forma number of shares of Wave Wireless common stock outstanding at the end of each period.

(2) The WaveRider equivalent pro forma combined per share amounts are calculated by multiplying the Wave Wireless combined pro forma share amounts by the anticipated exchange ratio in the merger of approximately 1.3 shares of Wave Wireless common stock (subject to adjustment) for each share of WaveRider common stock.

COMPARATIVE PER SHARE MARKET PRICE DATA

Wave Wireless common stock trades on the OTC Bulletin Board under the symbol "WVWC." WaveRider common stock trades on the OTC Bulletin Board under the symbol "WAVR."

The following table shows, for the calendar quarters indicated, the high and low sale prices per share, adjusted for stock splits, reverse stock splits and stock dividends, of Wave Wireless common stock and WaveRider common stock as reported on the OTC Bulletin Board.

Calendar Quarters	Wave Wireless High	Wave Wireless Low	WaveRider High	WaveRider Low
2004:				
First Quarter	$ 6.00	$ 1.80	$ 3.50	$ 2.20
Second Quarter	2.31	1.17	2.50	0.90
Third Quarter	1.26	0.63	1.15	0.90
Fourth Quarter	0.66	0.38	0.35	0.22
2005:				
First Quarter	0.59	0.10	0.29	0.05
Second Quarter	0.26	0.01	0.09	0.01
Third Quarter	0.34	0.15	0.06	0.03
Fourth Quarter	0.24	0.13	0.21	0.04
2006:				
First Quarter (through February 8, 2006)	0.20	0.09	0.15	0.10

The following table shows the high and low sales prices per share of Wave Wireless common stock and WaveRider common stock, each as reported on the OTC Bulletin Board on (1) November 16, 2005, the last full trading day preceding the public announcement of the proposed merger of Wave Wireless and WaveRider had entered into the merger agreement, and (2) February 8, 2006, the last full trading day for which high and low sales prices were available as of the date of this proxy statement/prospectus. The table also includes the equivalent high and low sales prices per share of WaveRider common stock on those dates. These equivalent high and low sales prices per share reflect the value of the Wave Wireless common stock that a WaveRider stockholder would receive for each share of WaveRider common stock if the merger were completed on either of those dates applying the anticipated exchange ratio of approximately 1.3 shares of Wave Wireless common stock (subject to adjustment) for each share of WaveRider common stock and using the closing sale price of Wave Wireless common stock on those dates.

	Wave Wireless Common Stock		WaveRider Common Stock		Equivalent Price Per Share	
	High	Low	High	Low	High	Low
November 16, 2005	$ 0.16	$ 0.13	$ 0.07	$ 0.06	$ 0.21	$ 0.17
February 8, 2006	0.16	0.13	0.13	0.12	0.21	0.17

The above table shows only historical comparisons. These comparisons may not provide meaningful information to WaveRider stockholders in determining whether to approve and adopt the merger agreement and approve the merger. WaveRider stockholders are urged to obtain current market quotations for Wave Wireless and WaveRider common stock and to review carefully the other information contained in this proxy statement/prospectus or incorporated by reference into this proxy statement/prospectus in considering whether to approve and adopt the merger agreement and approve the merger. See the section entitled “Where You Can Find More Information” on page 123 of this proxy statement/prospectus.

As of the record date, there were approximately 1,123 holders of record of WaveRider common stock.

Neither Wave Wireless nor WaveRider has ever declared or paid a cash dividend on its common stock. Wave Wireless and WaveRider currently intend to retain any future earnings to fund the growth and development of their businesses and do not anticipate paying any cash dividends in the foreseeable future.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This proxy statement/prospectus contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties, as well as assumptions, that, if they never materialize or prove incorrect, could cause the results of Wave Wireless and its consolidated subsidiaries, on the one hand, or WaveRider and its consolidated subsidiaries, on the other, to differ materially from those expressed or implied by such forward-looking statements. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including:

- any projections of earnings, revenues, synergies, cost savings or other financial items;
- any statements of the plans, strategies and objectives of management for future operations, including the execution of integration plans and the anticipated timing of filings and approvals relating to the merger;
- any statements concerning proposed new products, services or developments;
- any statements regarding future economic conditions or performance;
- any statements regarding outcome of claims and litigation;
- any statements of belief; and
- any statements of assumptions underlying any of the foregoing.

The risks, uncertainties and assumptions referred to above include:

- the difficulty of keeping expense growth at modest levels while increasing revenues;
- the challenges of integration associated with the merger and the challenges of achieving anticipated synergies;
- the possibility that the merger may not close;
- the assumption of maintaining revenues on a combined company basis following the close of the merger; and
- other risks that are described in the section entitled “Risk Factors,” which follows on the next page, and in the documents that are incorporated by reference into this proxy statement/prospectus.

If any of these risks or uncertainties materializes or any of these assumptions proves incorrect, results of Wave Wireless and WaveRider could differ materially from the expectations in these statements. Wave Wireless and WaveRider are not under any obligation and do not intend to update their respective forward-looking statements.

RISK FACTORS

Wave Wireless and WaveRider will operate as a combined company in a market environment that is difficult to predict and that involves significant risks, many of which will be beyond the combined company's control. In addition to the other information contained in this proxy statement/prospectus, you should carefully consider the risks described below before deciding how to vote your shares. Additional risks and uncertainties not presently known to Wave Wireless and WaveRider or that are not currently believed to be important to you, if they materialize, also may adversely affect the merger and Wave Wireless and WaveRider as a combined company.

Risks Related to the Merger

Although Wave Wireless and WaveRider expect that the merger will result in benefits to the combined company, the combined company may not realize those benefits because of integration and other challenges.

The failure of the combined company to meet the challenges involved in integrating the operations of Wave Wireless and WaveRider successfully or otherwise to realize any of the anticipated benefits of the merger could seriously harm the results of operations of the combined company. Realizing the benefits of the merger will depend in part on the successful integration of technology, products, services, operations and personnel. The integration of the companies is a complex, time-consuming and expensive process that, without proper planning and implementation, could significantly disrupt the business, controls and procedures of the combined company. The challenges involved in this integration include the following:

- successfully combining product and service offerings;
- coordinating research and development activities to enhance introduction of new products and services;
- preserving customer, distribution, reseller, manufacturing, supplier and other important relationships of both Wave Wireless and WaveRider and resolving potential conflicts that may arise;
- minimizing the diversion of management attention from other strategic opportunities and operational matters;
- addressing differences in the business cultures of Wave Wireless and WaveRider, maintaining employee morale and retaining key employees; and
- coordinating and combining overseas operations, relationships and facilities, which may be subject to additional constraints imposed by geographic distance, local laws and regulations.

The combined company may not successfully integrate the operations of Wave Wireless and WaveRider in a timely manner, or at all, and the combined company may not realize the anticipated benefits of the merger to the extent, or in the timeframe, anticipated. The anticipated benefits of the merger are based on projections and assumptions, including successful integration, not actual experience. In addition to the integration risks discussed above, the combined company's ability to realize these benefits could be adversely affected by practical or legal constraints on its ability to combine operations.

Neither Wave Wireless nor WaveRider has obtained fairness or other opinions regarding the fairness of the proposed merger to WaveRider's or Wave Wireless' shareholders.

No professional opinion of legal counsel, public accountants, or investment bankers was obtained regarding the fairness of the proposed merger to either company's shareholders. The consideration to be received by the stockholders of WaveRider and the other terms of the merger were determined by the board of directors of Wave Wireless and

WaveRider, following a recommendation from their respective management, and may not reflect the value of the net assets of either company if an independent third party had been involved in negotiation of the terms of the merger.

The shares of Wave Wireless common stock that WaveRider stockholders will receive as part of the merger consideration may not maintain their value.

At the closing of the merger, each share of WaveRider common stock is expected to be exchanged for approximately 1.3 shares of Wave Wireless common stock (subject to adjustment as described in the section entitled “The Merger Agreement—Conversion of WaveRider Common Stock in the Merger” on page 45 of this proxy statement/prospectus). There will be no adjustment in the number of shares of Wave Wireless common stock issued to WaveRider stockholders (or reserved for issuance pursuant to assumed WaveRider stock options and warrants) because of changes in the market price of either Wave Wireless common stock or WaveRider common stock. Accordingly, the specific dollar value of Wave Wireless common stock that WaveRider stockholders will receive upon the merger’s completion will depend entirely upon the market value of Wave Wireless common stock at the time the merger is completed. This value may substantially decrease from the date you submit your proxy. Moreover, completion of the merger may occur some time after WaveRider stockholder approval has been obtained, so that the specific dollar value of Wave Wireless common stock that WaveRider stockholders will receive upon the merger’s completion may substantially decrease from the date of the special meeting of WaveRider stockholders. In addition, WaveRider or Wave Wireless may only terminate the merger agreement or refuse to complete the merger in certain limited circumstances which do not include changes in the dollar value of Wave Wireless common stock or WaveRider common stock. The share prices of Wave Wireless common stock and WaveRider common stock are subject to the general price fluctuations in the market for publicly-traded equity securities, and the prices of both companies’ common stock have experienced volatility in the past. Wave Wireless and WaveRider urge you to obtain recent market quotations for Wave Wireless common stock and WaveRider common stock. Neither Wave Wireless nor WaveRider can predict or give any assurances as to the respective market prices of its common stock at any time before or after the completion of the merger.

Wave Wireless common stock is considered “penny stock,” which may severely limit the ability of the holders of Wave Wireless common stock to sell their shares.

Effective March 10, 2003, Wave Wireless common stock commenced trading electronically on the OTC Bulletin Board of the National Association of Securities Dealers, Inc., resulting in a less liquid market to trade shares of Wave Wireless common stock, relative to the liquidity provided by the NASDAQ National Market or the NASDAQ Small Cap Market, where Wave Wireless common stock previously was listed. In addition, Wave Wireless common stock is subject to the Securities Exchange Commission’s “penny stock” regulation. For transactions covered by this regulation, broker-dealers must make a special suitability determination for the purchase of the securities and must have received the purchaser’s written consent to the transaction prior to the purchase. Additionally, for any transaction involving a penny stock, the rules generally require the delivery, prior to the transaction, of a risk disclosure document mandated by the SEC relating to the penny stock market. The broker-dealer is also subject to additional sales practice requirements. Consequently, the penny stock rules may restrict the ability of broker-dealers to sell Wave Wireless common stock and may affect the ability of holders to sell Wave Wireless common stock in the secondary market, and the price at which a holder can sell Wave Wireless common stock.

Wave Wireless’ stock price has been volatile and has experienced significant decline, and it may continue to be volatile and decline.

Wave Wireless common stock is thinly traded on the OTC Bulletin Board. The market for Wave Wireless common stock may continue to be an inactive market, and the market price of Wave Wireless common stock may experience significant volatility. In recent years, the stock market in general, and the market for shares of small capitalization technology stocks in particular, have experienced extreme price fluctuations. These fluctuations have often negatively affected small cap companies such as Wave Wireless, and may impact its ability to raise equity capital during periods of limited liquidity. Companies with liquidity problems also often experience downward stock price volatility. Wave Wireless believes that factors such as announcements of developments related to its business (including any financings or any resolution of liabilities), announcements of technological innovations or new products or enhancements by Wave Wireless or its competitors, developments in the emerging countries' economies, sales by competitors, sales of significant volumes of Wave Wireless common stock into the public market, developments in its relationships with customers, partners, lenders, distributors and suppliers, shortfalls or changes in revenues, gross margins, earnings or losses or other financial results that differ from analysts' expectations, regulatory developments and fluctuations in results of operations could and have caused the price of Wave Wireless common stock to fluctuate widely and decline over the past two years. The market price of Wave Wireless common stock may continue to decline, or otherwise continue to experience significant fluctuations in the future, including fluctuations that are unrelated to Wave Wireless' performance, and Wave Wireless stockholders may not be able to resell shares of Wave Wireless common stock at or above the price paid for those shares.

Wave Wireless and WaveRider each expect to incur significant costs associated with the merger which could leave the combined company with inadequate working capital to support its business plan.

Wave Wireless estimates that it will incur direct transaction costs of approximately $300,000 in cash associated with the merger, which will be included as part of the total purchase price for financial accounting purposes. In addition, WaveRider estimates that it will incur direct transaction costs of approximately $100,000 in cash, which will be recognized as expenses as incurred. Wave Wireless and WaveRider believe the combined entity may incur charges to operations, which cannot be reasonably estimated at this time, in the quarter in which the merger is completed or the following quarters, to reflect costs associated with integrating the two companies. There can be no assurance that the combined company will not incur additional material charges in subsequent quarters to reflect additional costs associated with the merger and the integration of the two companies and such costs may adversely affect the financial results, operations and available cash of Wave Wireless, WaveRider or the combined company. These costs could leave Wave Wireless and WaveRider with insufficient working capital to support their operations. In addition, there can be no assurance that either company will be able to raise additional capital or that either company will be able to do so on terms that are not highly dilutive to existing stockholders.

The stock prices and businesses of Wave Wireless and WaveRider may be adversely affected if the merger is not completed.

Completion of the merger is subject to a number of closing conditions, including approval of WaveRider’s stockholders, and WaveRider may be unable to obtain such approval on a timely basis or at all. If the merger is not completed, the price of Wave Wireless common stock and WaveRider common stock may decline to the extent that the current market prices of Wave Wireless common stock and WaveRider common stock reflect a market assumption that the merger will be completed. In addition, either company’s operations may be harmed to the extent that customers, distributors, resellers and others believe that it cannot effectively compete in the marketplace without the merger, or there is uncertainty surrounding the future direction of the product and service offerings and strategy of Wave Wireless or WaveRider on a standalone basis. If the merger is not completed, Wave Wireless and WaveRider would not derive the strategic benefits expected to result from the merger, which could adversely affect their respective businesses. Wave Wireless and WaveRider will also be required to pay significant costs incurred in connection with the merger, including legal, accounting and a portion of the financial advisory fees, whether or not the merger is completed. In addition, under specified circumstances described in the section entitled “The Merger Agreement—Payment of Termination Fee” beginning on page 55 of this proxy statement/prospectus, WaveRider or Wave Wireless may be required to pay to the other party a termination fee of up to $300,000 in connection with the termination of the merger agreement. These costs could leave Wave Wireless and WaveRider with insufficient working capital to support their operations. In addition, there can be no assurance that either company will be able to raise additional capital or that either company will be able to do so on terms that are not highly dilutive to existing stockholders.

Some of the directors and executive officers of WaveRider have interests and arrangements that could affect their decision to support or approve the merger.

When considering the WaveRider board of directors’ recommendation that the WaveRider stockholders vote in favor of the proposal to approve and adopt the merger agreement and approve the merger, WaveRider stockholders should be aware that the directors and executive officers of WaveRider have interests in the merger that may be different from, or in addition to, the interests of WaveRider stockholders. These interests include:

- the continued indemnification of current directors and officers of WaveRider under the merger agreement and the continuation of directors' and officers' liability insurance after the merger;
- the retention of some of the officers of WaveRider as officers, employees or consultants of Wave Wireless or its subsidiaries, including, Charles W. Brown, WaveRider's Chief Executive Officer, who will become Chief Executive Officer of Wave Wireless, and T. Scott Worthington, WaveRider's Chief Financial Officer, who will become Chief Financial Officer of Wave Wireless;
- appointment of three WaveRider designees to the Wave Wireless board of directors, in addition to Messrs. Brown and Bruce Sinclair, WaveRider's former Chief Executive Officer; and
- the assumption of WaveRider stock options by Wave Wireless.

These interests, among others, may influence the WaveRider directors in recommending that you vote in favor of the proposal to approve and adopt the merger agreement and approve the merger. For a more detailed description of the interests of the directors and executive officers of WaveRider, please see the section entitled "The Merger—Interests of WaveRider Directors and Executive Officers in the Merger" beginning on page 31 of this proxy statement/prospectus.

Charges to future earnings resulting from the application of the purchase method of accounting may adversely affect the market value of Wave Wireless common stock following the merger.

In accordance with United States generally accepted accounting principles, the combined company will account for the merger using the purchase method of accounting, which will result in charges to future earnings that could have a material adverse effect on the market value of Wave Wireless common stock following completion of the merger. Under the purchase method of accounting, the combined company will allocate the total estimated purchase price to WaveRider's net tangible assets and amortizable intangible assets based on their fair values as of the date of completion of the merger, and record the excess of the purchase price over those fair values as goodwill. The combined company will incur amortization expense over the useful lives of amortizable intangible assets acquired in connection with the merger. In addition, to the extent the value of goodwill becomes impaired, the combined company may be required to incur material charges relating to the impairment of that asset. These amortization and potential impairment charges could have a material adverse impact on the combined company's results of operations.

Uncertainty regarding the merger may cause customers, distributors, resellers and others to delay or defer decisions concerning the purchase of Wave Wireless' and WaveRider's products or services which may harm either company's results of operations.

Because the merger is subject to a number of closing conditions, there may be uncertainty regarding its completion. This uncertainty may cause customers, distributors, resellers and others to delay or defer decisions concerning the purchase of Wave Wireless' or WaveRider's products or services, which could negatively affect their businesses and results of operations. Prospective customers could also be reluctant to purchase the products and services of Wave Wireless, WaveRider or the combined company due to uncertainty about the direction of their respective products and services, and willingness to support and service existing products which may be discontinued. In addition, customers, distributors, resellers and others may also seek to change existing agreements with Wave Wireless or WaveRider as a result of the merger. These and other actions by customers, distributors, resellers and others could negatively affect Wave Wireless' and WaveRider's businesses and results of operations.

Wave Wireless, WaveRider and the combined company must continue to retain and motivate executives and other key employees and recruit new employees, which may be difficult in light of uncertainty regarding the merger, and failure to do so could seriously harm Wave Wireless, WaveRider and the combined company.

In order to be successful, during the period before the merger is completed, each of Wave Wireless and WaveRider must continue to retain and motivate executives and other key employees and recruit new employees. Experienced personnel in the networking and network security industries are in high demand and competition for their talents is intense. Employees of Wave Wireless or WaveRider may experience uncertainty about their future role with the combined company until or after strategies with regard to the combined company are announced or executed. These potential distractions of the merger may adversely affect each company's ability to attract, motivate and retain executives and key employees and keep them focused on the strategies and goals of the combined company. Any failure by Wave Wireless or WaveRider to retain and motivate executives and key employees during the period prior to the completion of the merger could seriously harm their respective businesses, as well as the business of the combined company.

The market price of the shares of Wave Wireless common stock may be affected by factors different from or in addition to those affecting the shares of WaveRider common stock.

Upon completion of the merger, holders of WaveRider common stock will become holders of Wave Wireless common stock. An investment in Wave Wireless common stock has different risks than an investment in WaveRider common stock. Former holders of WaveRider common stock will be subject to risks associated with Wave Wireless upon exchange of their shares of WaveRider common stock for Wave Wireless common stock in the merger, some of which are described below in the section entitled "—Risks Related to Wave Wireless" beginning on page 21 of this proxy statement/prospectus.

Wave Wireless' and WaveRider's obligation to pay a termination fee under certain circumstances and the restrictions on their ability to solicit other acquisition proposals may discourage other companies from trying to acquire Wave Wireless or WaveRider.

Until the merger is completed or the merger agreement is terminated, with limited exceptions, the merger agreement prohibits Wave Wireless and WaveRider from entering into or soliciting any acquisition proposal or offer for a merger or other business combination with a party other than WaveRider or Wave Wireless, respectively. Wave Wireless and WaveRider have agreed to pay to the other party a termination fee of up to $300,000 under specified circumstances. These provisions could discourage other companies from trying to acquire Wave Wireless or WaveRider even though they might be willing to offer greater value to Wave Wireless' or WaveRider's stockholders than the proposed merger.

Risks Related to Wave Wireless

Wave Wireless needs additional financing and the failure to obtain additional financing will adversely affect its business.

Wave Wireless needs additional financing to continue operations, as its core business product sales are still significantly below levels necessary to achieve positive cash flow. From inception to December 31, 2004, Wave Wireless' aggregate net loss is approximately $369.0 million. Wave Wireless' cash position has declined to $376,000 at December 31, 2005. Wave Wireless had negative working capital of $6.7 million as of December 31, 2005. As of January 27, 2006, Wave Wireless has issued $1,025,000 in convertible notes due March 31, 2006. To continue as a going concern, Wave Wireless will be required to immediately secure additional debt or equity capital. To address its liquidity requirements, Wave Wireless is aggressively reducing expenses in connection with the implementation of its restructuring plan and also needs to conduct additional debt or equity financings to meet its current and anticipated working capital needs. No assurances can be given that Wave Wireless will be successful in its restructuring plan, or in its attempts to issue raise additional debt or equity financing.

Wave Wireless' prospects for obtaining additional financing are uncertain and failure to obtain needed financing will affect its ability to continue as a going concern.

Wave Wireless' independent registered public accountants' opinion on its 2004 consolidated financial statements includes an explanatory paragraph indicating substantial doubt about Wave Wireless' ability to continue as a going concern. To continue as a going concern, Wave Wireless will have to increase its sales, and possibly induce its creditors to forebear or to convert to equity, raise additional equity financing, and/or raise new debt financing. Wave Wireless may not accomplish these tasks. In the event Wave Wireless is unable to raise additional debt or equity financing, or otherwise improve its liquidity position, Wave Wireless will not be able to continue as a going concern. Wave Wireless future capital requirements will depend upon many factors, including the success of its restructuring plan, the continuation of its RMA Business, development costs of new products and related software, potential acquisition opportunities, maintenance of adequate manufacturing facilities and contract manufacturing agreements, progress of research and development efforts, expansion of marketing and sales efforts, and status of competitive products. Additional financing may not be available in the future on acceptable terms or at all. Wave Wireless' history of substantial operating losses could also severely limit its ability to raise additional financing. If Wave Wireless is unable to obtain additional financing, Wave Wireless may need to seek the protection of the bankruptcy courts and your Wave Wireless shares may become worthless.

Wave Wireless may not be able to repay its existing debt and any repayment of its debt with shares of Wave Wireless stock or by raising additional funds may result in significant dilution to its stockholders.

At December 31, 2005, Wave Wireless owed, including accrued but unpaid interest, an aggregate amount of $4.2 million to SDS Capital Group SPC, Ltd ("SDS"). Interest accrues on such debt at an annual interest rate of 8%, and this rate increases to 10% on April 1, 2006 through the maturity date of the loan, December 31, 2006. Wave Wireless may make the principal and interest payments under our Debenture Facility in either shares of its common stock, cash or a combination of both. In addition, given the recent price for Wave Wireless' common stock, if it makes the required amortization payments on the Debenture Financing using Wave Wireless' common stock, or raise additional funds by issuing equity securities, additional significant dilution to its stockholders will result.

In addition, Wave Wireless owes approximately $1,025,000 under the terms of certain Convertible Notes, and it is currently anticipated that it will issue additional Convertible Notes to satisfy its working capital needs. Interest and accrued interest under the terms of the Convertible Notes mature on March 31, 2006, in the event such Convertible Notes are not previously converted into shares of common stock in connection with an Equity Financing, or otherwise. Wave Wireless may not be able to make the required payments to the holders of the Convertible Notes, or successfully close an Equity Financing. In the event Wave Wireless is not able to close an Equity Financing, and the holders of the Convertible Notes do not otherwise convert the Convertible Notes into shares of Wave Wireless' common stock, Wave Wireless will be unable to repay principal and accrued interest under the Convertible Notes.

Wave Wireless may not be able to make its debenture facility installment payments in shares of its common stock, and its failure to do so would adversely affect its business.

Under Wave Wireless' Debenture Facility, it may not issue shares of common stock to make the quarterly installment payments if the issuance of such shares would result in SDS beneficially owning (as determined in accordance with Section 13(d) of the Exchange Act) more than 9.9% of all of the common stock outstanding at such time. Because of this limitation, Wave Wireless issued SDS shares of Series F Preferred Stock, in lieu of common stock, to make the required amortization payment due June 30, 2005. SDS may waive this ownership blocker, or agree in the future to accept additional shares of preferred stock in lieu of common stock, but it is not obligated to do so. In the event that Wave Wireless is prevented from making an installment payment in shares of common stock due to the ownership blocker, or SDS is unwilling to accept preferred stock in lieu of common stock, and SDS does not waive compliance with this provision, then Wave Wireless may be required to issue preferred stock, or default on its payment obligations under the Debenture Facility. If Wave Wireless is unable to obtain additional financing, Wave Wireless may need to seek the protection of the bankruptcy courts and your Wave Wireless shares may become worthless.

Future sales of Wave Wireless' convertible securities could lower its stock price and adversely affect its ability to raise additional capital in subsequent financings.

As of December 31, 2005, Wave Wireless had issued and outstanding warrants, convertible preferred stock and employee stock options, convertible into 34,364,425 shares of its common stock. In the event of conversion or exercise of any of these convertible securities, future sales of Wave Wireless common stock or the perception that future sales will occur could have a significant negative effect on the market price of Wave Wireless common stock. If the market price of Wave Wireless common stock continues to decrease, Wave Wireless may not be able to conduct additional financings in the future on acceptable terms or at all, and its ability to raise additional capital will be significantly limited.

As a result of its restructuring plan, Wave Wireless' revenue will decrease substantially.

As a result of the restructuring plan, Wave Wireless' revenue has decreased substantially. While management believes that a consequence of the restructuring plan will be to ultimately return Wave Wireless to profitability, no assurances can be given that it will achieve the objectives of the restructuring plan, or that sales of its remaining product lines will sufficiently increase to allow it to achieve positive cash flow from operations. Until sales levels in its remaining product lines sufficiently increase, Wave Wireless' business, financial condition and results of operations will continue to be adversely affected.

Wave Wireless relies on a limited number of customers for a material portion of its sales. The loss of or reduction in sales to any of its customers could harm its business, financial condition and results of operation.

For the year ended December 31, 2005, sales to Wave Wireless' top four customers accounted for 59% of total sales. Wave Wireless expects that a limited number of customers will continue to account for a significant portion of its sales for the foreseeable future. The loss of, or diminution in sales to, any one of these customers would have an immediate and material adverse effect on Wave Wireless' sales. If it is unsuccessful in obtaining significant new customers or if one of its top customers or several small customers cancel or delay their orders for its products, then Wave Wireless' business and prospects could be harmed which may cause the price of its common stock to decline. Wave Wireless' customer concentration also results in concentration of credit risk. As of December 31, 2005, three customers accounted for 74% of Wave Wireless' total accounts receivable balances. If any one of these customers is unable to fulfill its payment obligations to Wave Wireless, its revenue could decline significantly.

As a result of its restructuring plan, Wave Wireless is substantially dependent on its RMA business, and a reduction in sales attributable to its RMA business will materially harm its results of operations.

For the years ended December 31, 2004 and 2005 sales of refurbished licensed products in connection with Wave Wireless' RMA Business was $11.2 million and $6.4 million, or 46% and 54% of total sales, respectively. Total sales of refurbished licensed products in connection with Wave Wireless' RMA Business will decline over time as its customers determine to replace existing radios with new product, rather than send them to Wave Wireless for continued repair and maintenance. In addition, Wave Wireless' customers may elect to source refurbished licensed products from third parties rather than us, as was the case in the quarter ended September 30, 2005, when one of Wave Wireless' customers elected to use a third party other than Wave Wireless for its repair and maintenance needs. No assurances can be given that Wave Wireless will not lose additional customers in the future, or that customers will not elect to purchase new licensed products from third parties rather than send them to Wave Wireless for repair and maintenance. In the event of a further reduction in the sale of refurbished licensed products, Wave Wireless' results of operations will be materially harmed.

Wave Wireless' operating results in the past are not anticipated to reflect its operating results in the future, which make its results of operation difficult to predict.

As a result of restructuring plan, Wave Wireless' future operating results will vary significantly from its past operating results. Factors that will significantly affect Wave Wireless' operating results include the following:

- the divesture of certain licensed product lines, that in the years ended December 31, 2004 and 2005, contributed approximately $8.1 million and $9.1 million in revenue to Wave Wireless, respectively;

- the increased reliance on Wave Wireless' RMA Business, that in the years ended December 31, 2004, and 2005, contributed approximately $11.2 million and $6.4 million in revenue to Wave Wireless, respectively, and the risk that sales attributable to the RMA Business will decline over time; and

- the increased reliance on the sale of unlicensed radio products, that in the years ended December 31, 2004 and 2005, contributed approximately $5.1 million and $2.7 million in revenue to Wave Wireless, respectively.

Wave Wireless faces substantial competition and may not be able to compete effectively.

Wave Wireless faces intense competition worldwide from a number of leading telecommunications equipment and technology suppliers. These companies offer a variety of competitive products and services. These companies include Alvarion, Nortel, Proxim, Tropos Networks, Motorola, Trango Systems, Belair Networks, Firetide and Tranzeo Wireless Technologies. Many of these companies have greater financial resources and production, marketing, manufacturing, engineering and other capabilities than we have. Wave Wireless faces actual and potential competition not only from these established companies, but also from start-up companies that are developing and marketing new commercial products and services.

The principal elements of competition in Wave Wireless' market and the basis upon which customers may select its systems include price, performance, software functionality, perceived ability to continue to be able to meet delivery requirements, and customer service and support. Recently, certain competitors have announced the introduction of new competitive products, including related software tools and services, and the acquisition of other competitors and competitive technologies. Wave Wireless expects competitors to continue to improve the performance and lower the price of their current products and services and to introduce new products and services or new technologies that provide added functionality and other features. New product and service offerings and enhancements by Wave Wireless' competitors could cause a decline in its sales or loss of market acceptance of Wave Wireless' systems. New offerings could also make Wave Wireless' systems, services or technologies obsolete or non-competitive. In addition, Wave Wireless is experiencing significant price competition and Wave Wireless expects that competition will intensify.

Wave Wireless does not have the customer base or other resources of more established companies, which makes it difficult for Wave Wireless to address the liquidity and other challenges that it faces.

Wave Wireless has not developed a large installed base of its wireless mesh routers or the kind of close relationships with a broad base of customers of a type enjoyed by larger, more developed companies, which would provide a base of financial performance from which to launch strategic initiatives and withstand business reversals. In addition, Wave Wireless has not built up the level of capital often enjoyed by more established companies, so Wave Wireless faces serious challenges in financing Wave Wireless' continued operations. Wave Wireless may not be able to successfully address these risks.

Wave Wireless relies on third party manufacturers and suppliers and any failure of or interruption in the manufacturing, services or products provided by these third parties could harm Wave Wireless' business.

Wave Wireless relies on third-party manufacturers for the manufacturing, repair and maintenance of a substantial portion of its products. Wave Wireless has limited internal manufacturing, repair and maintenance capacity, which may not be sufficient to fulfill customers' requirements. Wave Wireless' contract service providers may not be able to react to Wave Wireless' demands on a timely basis. In addition, certain components and subassemblies necessary for the manufacture of Wave Wireless' systems are obtained from a sole supplier or a limited group of suppliers.

Wave Wireless' reliance on third-party manufacturers, service providers and suppliers involves risks. From time to time, Wave Wireless has experienced an inability to obtain, or to receive in a timely manner, an adequate supply of finished products and required components and subassemblies. This inability has been due to a variety of factors, including, in some cases, Wave Wireless' financial condition. As a result of Wave Wireless' reliance on these third parties, Wave Wireless has reduced control over the price, timely delivery, reliability and quality of finished products, components and subassemblies. Any failure by us, or Wave Wireless' contract manufacturers to repair, maintain, manufacture, assemble and ship systems and meet customer demands on a timely and cost-effective basis could damage relationships with customers and have a material adverse effect on Wave Wireless' business, financial condition and results of operations.

Wave Wireless' business depends on the acceptance of its products and services, and it is uncertain whether the market will accept and demand its products and services at levels necessary for success.

Wave Wireless' future operating results depend upon the continued growth and increased availability and acceptance of its products in the U.S. and internationally. The volume and variety of wireless telecommunications products or the markets for and acceptance of Wave Wireless' products may not continue to grow as expected. The growth of these products may also fail to create anticipated demand for Wave Wireless' products. Predicting which segments of these markets will develop and at what rate these markets will grow is difficult.

Due to its international sales and operations, Wave Wireless is exposed to business, political, regulatory, operational, financial and economic risks, any of which could increase its costs and hinder its growth.

As a result of Wave Wireless' current heavy dependence on international markets, especially in the United Kingdom, the European continent, the Middle East, and Latin America, Wave Wireless faces business, political, regulatory, operational, financial and economic risks that are often more volatile than those commonly experienced in the United States. Approximately 92% and 89% of Wave Wireless' sales in the year ended December 31, 2003 and December 31, 2004, respectively, were made to customers located outside of the United States. Due to political and economic instability in new markets, economic, political and foreign currency fluctuations may be even more volatile than conditions in developed countries. Countries in the Asia/Pacific, African, and Latin American regions have in recent years experienced weaknesses in their currency, banking and equity markets. These weaknesses have adversely affected and could continue to adversely affect demand for Wave Wireless' products.

Wave Wireless faces risks associated with currency exchange rate fluctuations.

Approximately 89% and 90% of Wave Wireless' sales in the years ended December 31, 2004 and 2005 were made to customers located outside of the United States and a larger portion of Wave Wireless' revenues is denominated in foreign currencies. Historically, Wave Wireless' international sales have been denominated in British pounds sterling, Euros or United States dollars. Conducting business in currencies other than U.S. dollars subjects us to fluctuations in currency exchange rates that could have a negative impact on Wave Wireless' reported operating results. Fluctuations in the value of the U.S. dollar relative to other currencies impact its revenues, cost of revenues and operating margins and result in foreign currency translation gains and losses. For example, a decrease in the value of British pounds or Euros relative to United States dollars, if not hedged, will result in an exchange loss for Wave Wireless if it has Euro or British pounds sterling denominated sales. Conversely, an increase in the value of Euro and British pounds sterling will result in increased margins for us on Euro or British pounds sterling denominated sales as Wave Wireless' functional currency is in United States dollars. For international sales that Wave Wireless would require to be United States dollar-denominated, such a decrease in the value of foreign currencies could make Wave Wireless' systems less price-competitive if competitors choose to price in other currencies and could adversely affect its financial condition. Historically, Wave Wireless has not engaged in exchange rate-hedging activities. Although Wave Wireless may implement hedging strategies to mitigate this risk, these strategies may not eliminate Wave Wireless' exposure to foreign exchange rate fluctuations and involve costs and risks of their own, such as ongoing management time and expertise, external costs to implement the strategy and potential accounting implications.

Governmental regulations affecting markets in which Wave Wireless competes could adversely affect its business and results of operations.

Radio communications are extensively regulated by the United States and foreign governments as well as by international treaties. Wave Wireless systems must conform to a variety of domestic and international requirements established to, among other things, avoid interference among users of radio frequencies and to permit interconnection of equipment. Historically, in many developed countries, the limited availability of radio frequency spectrum has inhibited the growth of wireless telecommunications networks. Each country's regulatory process differs. To operate in a jurisdiction, Wave Wireless must obtain regulatory approval for its systems and comply with differing regulations.

Regulatory bodies worldwide continue to adopt new standards for wireless telecommunications products. The delays inherent in this governmental approval process may cause the cancellation, postponement or rescheduling of the installment of communications systems by Wave Wireless customers and Wave Wireless. The failure to comply with current or future regulations or changes in the interpretation of existing regulations could result in the suspension or cessation of operations. Those regulations or changes in interpretation could require Wave Wireless to modify its products and services and incur substantial costs in order to comply with the regulations and changes.

In addition, Wave Wireless is also affected by domestic and international authorities' regulation of the allocation and auction of the radio frequency spectra. Equipment to support new systems and services can be marketed only if permitted by governmental regulations and if suitable frequency allocations are auctioned to service providers. Establishing new regulations and obtaining frequency allocation at auction is a complex and lengthy process. If PCS operators and others are delayed in deploying new systems and services, Wave Wireless could experience delays in orders. Similarly, failure by regulatory authorities to allocate suitable frequency spectrum could have a material adverse effect on Wave Wireless results. In addition, delays in the radio frequency spectra auction process in the United States could delay Wave Wireless' ability to develop and market equipment to support new services. Wave Wireless operates in a regulatory environment subject to significant change. Regulatory changes, which are affected by political, economic and technical factors, could significantly impact Wave Wireless operations by restricting its development efforts and those of its customers, making current systems obsolete or increasing competition. Any such regulatory changes, including changes in the allocation of available spectra, could have a material adverse effect on Wave Wireless' business, financial condition and results of operations. Wave Wireless may also find it necessary or advisable to modify its systems and services to operate in compliance with these regulations. These modifications could be expensive and time-consuming.

Third parties may sue Wave Wireless for intellectual property infringement that, if successful, could require us to pay significant damage awards or licensing fees.

Wave Wireless cannot be certain that it does not and will not infringe the intellectual property rights of others. Wave Wireless may be subject to legal proceedings and claims in the ordinary course of Wave Wireless' business and third parties may sue it for intellectual property infringement or initiate proceedings to invalidate its intellectual property. Any intellectual property claims, whether or not meritorious, could result in costly litigation and could divert management resources and attention. Moreover, should Wave Wireless be found liable for infringement, it may be required to enter into licensing agreements (if available on acceptable terms or at all), pay damages or limit or curtail Wave Wireless' product or service offerings. Moreover, Wave Wireless may need to redesign some of its products to avoid future infringement liability. Any of the foregoing could prevent Wave Wireless from competing effectively and harm its business and results of operations.

If Wave Wireless fails to keep pace with rapidly changing technologies, it could lose customers and its sales may decline.

The telecommunications equipment industry is characterized by rapidly changing technologies, evolving industry standards, frequent new product and service introductions and changing customer demands. The introduction of new products and services embodying new technologies, such as Wi-MAX, and the emergence of new industry standards and practices can render Wave Wireless' existing products and services obsolete and unmarketable. Wave Wireless' future success will depend on its ability to internally develop, source or license leading technologies to enhance Wave Wireless' existing products and services, to develop new products and services that address the changing demands of its customers, and to respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis. Because of Wave Wireless' current financial condition, Wave Wireless may experience difficulties that could delay or prevent the successful design, development, introduction or marketing of new products and services. Any new products, services or enhancement that Wave Wireless develops will need to meet the requirements of its current and prospective customers and may not achieve significant market acceptance.

Risks Related to WaveRider

Risks Related to WaveRider's Financial Condition

WaveRider has a history of losses, and its future profitability is uncertain.

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WaveRider has experienced significant operating losses every year since incorporation. WaveRider incurred a net loss of $1,639,060 for the year ended December 31, 2004 (2003 - $1,586,306) and reported an accumulated deficit at that date of $86,426,358 (2003 - $84,787,298). WaveRider expects to continue to incur losses for 2005 in part due to the ongoing non-cash financing expenses that WaveRider will incur over the coming year.

There can be no assurance that WaveRider will ever generate an overall profit from its products or that it will ever reach profitability on a sustained basis.

WaveRider has a going concern qualification in the report issued by its independent registered public accounting firm, which may make capital raising more difficult and may require it to scale back, cease operations or seek protection under the bankruptcy laws, putting investors' funds at risk.

Its independent registered public accounting firm has added an explanatory paragraph to their audit report issued in connection with the financial statements for the period ended December 31, 2004, relative to its ability to continue as a going concern. WaveRider has experienced significant operating losses every year since incorporation and have an accumulated deficit of approximately $86,426,358, which raises substantial doubt about its ability to continue as a going concern. Its ability to obtain additional funding will determine its ability to continue as a going concern. Accordingly, there is substantial doubt about its ability to continue as a going concern. There can be no assurance that WaveRider will able to obtain funding from external sources when needed. If WaveRider continues to experience operating losses, WaveRider may be required to scale back, cease operations or seek protection under the bankruptcy laws; in which event WaveRider believes it is unlikely that its common stock will have any value.

Risks Related to Investing in WaveRider

WaveRider may suffer dilution if it issues substantial shares of its common stock:

- upon conversion of convertible debentures; and
- upon exercise of the outstanding warrants and options.

WaveRider is obligated to issue a substantial number of shares of common stock upon the conversion of its convertible debentures and exercise of its outstanding warrants and options. The price that WaveRider may receive for the shares of common stock issuable upon conversion or exercise of such securities may be less than the market price of the common stock at the time of such conversions or exercise. Should a significant number of these securities be exercised or converted, the resulting increase in the amount of the common stock in the public market could have a substantial dilutive effect on its outstanding common stock.

The conversion and exercise of all of the aforementioned securities or the issuance of new shares of common stock may also adversely affect the terms under which WaveRider could obtain additional equity capital.

WaveRider has limited intellectual property protection, and there is risk that its competitors will be able to appropriate its technology.

WaveRider's ability to compete depends to a significant extent on its ability to protect its intellectual property and to operate without infringing the intellectual property rights of others. WaveRider regards its technology as proprietary. WaveRider has only one issued patent, and does not WaveRider have any registered copyrights, with respect to its intellectual property rights. WaveRider relies on employee and third party non-disclosure agreements and on the legal principles restricting the unauthorized disclosure and use of trade secrets. Despite its precautions, it might be possible for a third party to copy or otherwise obtain its technology, and use it without authorization. Although WaveRider intends to defend its intellectual property, WaveRider cannot assure you that the steps WaveRider has taken or that

WaveRider may take in the future will be sufficient to prevent misappropriation or unauthorized use of its technology. In addition, there can be no assurance that foreign intellectual property laws will protect its intellectual property rights. There is no assurance that patent applications or copyright registrations that have been or may be filed will be granted, or that any issued patent or copyrights will not be challenged, invalidated or circumvented. There is no assurance that the rights granted under patents that may be issued or copyrights that may be registered will provide sufficient protection to its intellectual property rights. Moreover, WaveRider cannot assure you that its competitors will not independently develop technologies similar, or even superior, to its technology.

Use of WaveRider's products is subordinated to other uses, and there is risk that its customers may have to limit or discontinue the use of its products.

License-free operation of WaveRider's products in certain radio frequency bands is subordinated to certain licensed and unlicensed uses of these bands. This subordination means that its products must not cause harmful interference to other equipment operating in the band, and must accept potential interference from any of such other equipment. If its equipment is unable to operate without any such harmful interference, or is unable to accept interference caused by others, its customers could be required to cease operations in some or all of these bands in the locations affected by the harmful interference. As well, in the event these bands become unacceptably crowded, and no additional frequencies are allocated to unlicensed use, its business could be adversely affected.

Currently, WaveRider's products are designed to operate in frequency bands for which licenses are not required in the United States, Canada and other countries that WaveRider view as its potential market. Extensive regulation of the data communications industry by U.S. or foreign governments and, in particular, the imposition of license requirements in the frequency bands of its products could materially and adversely affect us through the effect on its customers and potential customers. Continued license-free operation will depend upon the continuation of existing U.S., Canadian and such other countries' government policies and, while no planned policy changes have been announced or are expected, this cannot be assured.

WaveRider may be subject to product liability claims and WaveRider lacks product liability insurance.

WaveRider faces an inherent risk of exposure to product liability claims in the event that the products designed and sold by it contain errors, "bugs" or defects. There can be no assurance that WaveRider will avoid significant product liability exposure. WaveRider does not currently have product liability insurance and there can be no assurance that insurance coverage will be available in the future on commercially reasonable terms, or at all. Further, there can be no assurance that such insurance, if obtained, would be adequate to cover potential product liability claims, or that a loss of insurance coverage or the assertion of a product liability claim or claims would not materially adversely affect its business, financial condition and results of operations.

WaveRider depends upon third party manufacturers and there is risk that, if these suppliers become unavailable for any reason, WaveRider may for an unknown period of time have no product to sell.

WaveRider depends upon a limited number of third party manufacturers to make its products. If its suppliers are not able to manufacture for it for any reason, WaveRider would, for an unknown period of time, have difficulty finding alternate sources of supply. Inability to obtain manufacturing capacity would have a material adverse effect on its business, financial condition and results of operations.

Risks Related to the Data Communications Industry

Competition in the data communication industry is intense, and there is uncertainty that, given its new technology and limited resources, WaveRider will be able to succeed.

Although its products are based on a wireless technology, WaveRider competes not only against companies that base their products on wireless technology, but also against companies that base their products on hard-wired technology (wire or fiber optic cable). There can be no assurance that WaveRider will be able to compete successfully in the future against existing or new competitors or that its operating results will not be adversely affected by increased price competition. Competition is based on the design and quality of the products, product performance, price and service, with the relative importance of such factors varying among products and markets. Competition in the various markets WaveRider serves comes from companies of various sizes many of which are larger and have greater financial and other resources than WaveRider does and, thus, can withstand adverse economic or market conditions better than

WaveRider can.

WaveRider's future operating results are subject to a number of risks, including its ability or inability to implement its strategic plan, to attract qualified personnel and to raise sufficient financing as required. Inability of its management to guide growth effectively, including implementing appropriate systems, procedures and controls, could have a material adverse effect on its business, financial condition and operating results.

The data communication industry is in a state of rapid technological change, and WaveRider may not be able to keep up.

WaveRider may be unable to keep up with technological advances in the data communications industry. As a result, its products may become obsolete or unattractive. The data communications industry is characterized by rapid technological change. In addition to frequent improvements of existing technology, there is frequent introduction of new technologies leading to more complex and powerful products. Keeping up with these changes requires significant management, technological and financial resources. As a small company, WaveRider does not have the management, technological and financial resources that larger companies in its industry may have. There can be no assurance that WaveRider will be able to, or successful in enhancing its existing products, or in developing, manufacturing and marketing new products. An inability to do so would adversely affect its business, financial condition and results of operations.

Risks Related to Investing in Low-Priced and Illiquid Securities

WaveRider's common stock is subject to the penny stock rules which means its market liquidity could be adversely affected.

The SEC's regulations define a "penny stock" to be an equity security that has a market price less than $5.00 per share, subject to certain exceptions. These rules impose additional sales practice requirements on broker dealers that sell low-priced securities to persons other than established customers and institutional accredited investors; and require the delivery of a disclosure schedule explaining the nature and risks of the penny stock market. As a result, the ability or willingness of broker-dealers to sell or make a market in its common stock might decline.

Specifically, the penny stock rules require a broker-dealer, prior to a transaction in a penny stock, to deliver a standardized risk disclosure document prepared by the Commission, that: (a) contains a description of the nature and level of risk in the market for penny stocks in both public offerings and secondary trading; (b) contains a description of the broker's or dealer's duties to the customer and of the rights and remedies available to the customer with respect to a violation of such duties or other requirements of Securities' laws; (c) contains a brief, clear, narrative description of a dealer market, including bid and ask prices for penny stocks and the significance of the spread between the bid and ask price; (d) contains a toll-free telephone number for inquiries on disciplinary actions; (e) defines significant terms in the disclosure document or in the conduct of trading in penny stocks; and (f) contains such other information and is in such form, including language, type, size and format, as the SEC may require by rule or regulation.

In addition, the broker-dealer also must provide, prior to effecting any transaction in a penny stock, the customer with: (a) bid and offer quotations for the penny stock; (b) the compensation of the broker-dealer and its salesperson in the transaction; (c) the number of shares to which such bid and ask prices apply, or other comparable information relating to the depth and liquidity of the market for such stock; and (d) monthly account statements showing the market value of each penny stock held in the customer's account.

Finally, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from those rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written acknowledgment of the receipt of a risk disclosure statement, a written agreement to transactions involving penny stocks, and a signed and dated copy of a written suitability statement.

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These requirements may reduce the potential market for its common stock by reducing the number of potential investors, brokers and traders. This may make it more difficult for investors in its common stock to sell shares to third parties or to otherwise dispose of them. This could cause its stock price to decline. WaveRider cannot predict the extent to which investor interest in its common stock, if any, will lead to an increase in its market price or the development of an active trading market or how liquid that market, if any, might become.

The market price of WaveRider's common stock may be volatile. As a result, you may not be able to sell its common stock in short periods or time or possibly at all.

WaveRider's stock price has been volatile. During fiscal 2005, the trading price of its common stock ranged from a low price of $0.01 per share to a high price of $0.29 per share. Many factors may cause the market price of its common stock to fluctuate, including:

- variations in its quarterly results of operations;
- the introduction of new products by us or its competitors;
- acquisitions or strategic alliances involving us or its competitors;
- future sales of shares of common stock in the public market; and
- market conditions in its industries and the economy as a whole.

In addition, the stock market has recently experienced extreme price and volume fluctuations. These fluctuations are often unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the market price of its common stock. When the market price of a company's stock drops significantly, stockholders often institute securities class action litigation against that company. Any litigation against us could cause us to incur substantial costs, divert the time and attention of its management and other resources or otherwise harm its business.

No dividends anticipated.

WaveRider intends to retain any future earnings to fund the operation and expansion of its business. WaveRider does not anticipate paying cash dividends on its shares in the foreseeable future.

THE SPECIAL MEETING OF WAVERIDER STOCKHOLDERS

WaveRider is furnishing this proxy statement/prospectus to WaveRider stockholders to provide them with important information regarding the proposed merger and the merger agreement in connection with the solicitation of proxies by and on behalf of WaveRider's board of directors for use at the WaveRider special meeting and at any adjournment or postponement thereof. The WaveRider proxy accompanying this proxy statement/prospectus is solicited on behalf of WaveRider's board of directors for use at the WaveRider special meeting. This proxy statement/prospectus and the accompanying form of proxy were first mailed to WaveRider's stockholders on or about February 14, 2006.

Date, Time and Place of the Special Meeting

WaveRider will hold a special meeting of its stockholders on March 20, 2006, promptly at 2:00 p.m., local time, at its headquarters located at 255 Consumers Road, Suite 500, Toronto, Ontario M2J 1R4.

Matters for Consideration

At the special meeting, WaveRider stockholders will be asked to consider and vote on and approve the following proposals:

1. To adopt the merger agreement and approve the merger.

2. To approve any motion for adjournment or postponement of the WaveRider special meeting to another time or place to permit, among other things, further solicitation of proxies if necessary to establish a quorum or to obtain additional votes in favor of Proposal 1.

Recommendation of the WaveRider Board of Directors

After careful consideration, the WaveRider board of directors determined that the merger agreement and the merger are advisable and in the best interests of WaveRider stockholders and has unanimously approved the merger agreement and the merger. The WaveRider board of directors unanimously recommends that the WaveRider stockholders vote "**FOR**" the proposal to adopt the merger agreement and approve the merger and "**FOR**" the proposal to permit adjournment or postponement of the WaveRider special meeting.

Admission to the Special Meeting

Only WaveRider stockholders as of the close of business on February 8, 2006 and other persons holding valid proxies for the special meeting are entitled to attend the WaveRider special meeting. WaveRider stockholders and their proxies should be prepared to present valid government-issued photo identification. WaveRider stockholders who are not record holders but who hold shares in street name should provide proof of beneficial ownership on the record date of the WaveRider special meeting, such as their most recent account statement prior to February 8, 2006, or other similar evidence of ownership. Anyone who does not provide valid government-issued photo identification or comply with the other procedures outlined above upon request may not be admitted to the special meeting.

Record Date; Shares Held by WaveRider's Directors and Executive Officers

The record date for determining the WaveRider stockholders entitled to vote at the WaveRider special meeting is February 8, 2006. Only holders of WaveRider common stock as of the close of business on the record date are entitled to vote at the WaveRider special meeting. As of that date, there were approximately 33,765,854 shares of WaveRider common stock issued and outstanding. Each share of WaveRider common stock issued and outstanding as of the WaveRider record date entitles its holder to cast one vote at the WaveRider special meeting.

As of the record date, the directors and executive officers of WaveRider and their affiliates beneficially owned approximately 1,441,207 shares of WaveRider common stock, or approximately 3.3% of the total outstanding shares of WaveRider common stock, excluding shares issuable upon the exercise of stock options.

Interests of WaveRider Directors and Executive Officers in the Merger

All of the directors and executive officers of WaveRider have interests and arrangements that could affect their decision to approve and adopt the merger agreement and approve the merger. Please refer to the section of this proxy statement/prospectus entitled "The Merger—Interests of WaveRider Directors and Executive Officers in the Merger" beginning on page 39.

Quorum and Vote Required

In order to conduct business at the WaveRider special meeting, a quorum must be present. The holders of a majority of the shares of WaveRider voting stock outstanding on the record date for the WaveRider special meeting present in person or represented by proxy at the WaveRider special meeting and entitled to vote at the WaveRider special meeting constitutes a quorum under WaveRider's bylaws. WaveRider will treat shares of WaveRider common stock represented by a properly signed and returned proxy, including abstentions and broker non-votes, as present at the

WaveRider special meeting for purposes of determining the existence of a quorum. If sufficient votes to constitute a quorum or to approve and adopt the merger agreement and approve the merger are not received by the date of the special meeting, the persons named as proxies may propose one or more adjournments of the meeting to permit further solicitation of proxies.

The affirmative vote of a majority of the shares of WaveRider voting stock outstanding on the WaveRider record date in favor of the proposal to approve and adopt the merger agreement and approve the merger is required in order for the merger proposal to pass. The affirmative vote of the holders of a majority of the shares of WaveRider voting stock present in person or represented by proxy and entitled to vote thereon is necessary for the proposal to permit adjournment or postponement of the WaveRider special meeting to pass. The inspector of elections appointed for the WaveRider special meeting will tabulate the votes.

Crescent International Ltd. and Wave Wireless presently hold 350 shares and 450 shares, respectively, of WaveRider's Series D Convertible Preferred Stock. Each share of Series D Convertible Preferred Stock is convertible into 20,000 shares of WaveRider's common stock, and the holders of Series D Convertible Preferred Stock are entitled to vote on an as-converted basis together with the holders of WaveRider's common stock, as a single class, on the proposal to approve and adopt the merger agreement and to approve the merger. Crescent International Ltd. has agreed to vote all of its shares in favor of approving and adopting the merger agreement and approving the merger. Wave Wireless has not entered into any agreement regarding the voting of its shares of Series D Convertible Preferred Stock, but intends to vote its shares in favor of approving and adopting the merger agreement and approving the merger.

Voting of Proxies

Shares represented by a properly signed and dated proxy will be voted at the WaveRider special meeting in accordance with the instructions indicated on the proxy. Proxies that are properly signed and dated but which do not contain voting instructions will be voted "**FOR**" the proposal to approve and adopt the merger agreement and approve the merger and "**FOR**" the proposal to permit adjournment or postponement of the WaveRider special meeting.

Abstentions

WaveRider will count a properly executed proxy marked "ABSTAIN" as present for purposes of determining whether a quorum is present, but the shares represented by that proxy will not be voted at the WaveRider special meeting. Because the affirmative vote of a majority of the outstanding shares of WaveRider voting stock is required to approve and adopt the merger agreement and approve the merger, if you mark your proxy "ABSTAIN," it will have the effect of a vote against the proposal to approve and adopt the merger agreement and approve the merger. In addition, if you mark your proxy "ABSTAIN" with respect to the proposal to permit adjournment or postponement of the WaveRider special meeting, it will also have the effect of a vote against that proposal.

Broker Non-Votes

If your shares of WaveRider common stock are held in street name, your broker will vote your shares for you only if you provide instructions to your broker on how to vote your shares. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares. Your broker cannot vote your shares of WaveRider common stock without specific instructions from you. Because the affirmative vote of a majority of the outstanding shares of WaveRider voting stock is required to approve and adopt the merger agreement and approve the merger, if you do not instruct your broker how to vote, it will have the effect of a vote against the proposal to approve and adopt the merger agreement and approve the merger. Failure to instruct your broker to vote your shares will have no effect on the proposal to permit adjournment or postponement of the WaveRider special meeting.

Voting Shares in Person that are Held in Street Name

If your shares are held in street name and you wish to vote those shares in person at the WaveRider special meeting, you must obtain from your broker a properly executed legal proxy identifying you as a WaveRider stockholder, authorizing you to act on behalf of the nominee at the WaveRider special meeting and identifying the number of shares with respect to which the authorization is granted.

Voting Procedures

You may vote by mail by completing and signing your proxy card and mailing it in the enclosed prepaid and addressed envelope. If you mark your voting instructions on the proxy card, your shares will be voted as you instruct.

If you properly sign and return your proxy card, but do not mark your voting instructions on the proxy card, you shares will be voted "**FOR**" the proposal to approve and adopt the merger agreement and approve the merger and "**FOR**" the proposal to permit adjournment or postponement of the WaveRider special meeting.

You may vote by telephone by following the "Vote by Telephone" instructions that came with this proxy statement/prospectus. If you vote by telephone, you do not need to mail in your proxy card.

You may vote on the Internet by following the "Vote by Internet" instructions that came with this proxy statement/prospectus. If you vote on the Internet, you do not need to mail in your proxy card.

You may also vote in person at the special meeting. WaveRider will pass out written ballots to anyone who would like to vote at the WaveRider special meeting. However, if you hold your shares of WaveRider common stock in street name, you must request a proxy from your stockbroker in order to vote at the meeting.

How to Revoke a Proxy

If you submit a proxy, you may revoke it at any time before it is voted by:

- sending a written, dated notice to the Secretary of WaveRider at WaveRider's principal executive offices stating that you would like to revoke your proxy;
- voting at a later date by telephone or by using the Internet;
- completing, dating and submitting a new later-dated proxy card; or
- attending the special meeting and voting in person. Your attendance alone will not revoke your proxy.

Notices to WaveRider's corporate secretary should be addressed to Corporate Secretary, WaveRider Communications Inc., 255 Consumers Road, Suite 500, Toronto, Ontario M2J 1R4.

If you hold your shares in street name, you must give new instructions to your broker prior to the special meeting or obtain a signed "legal proxy" from the broker to revoke your prior instructions and vote in person at the meeting.

Contact for Questions and Assistance in Voting

Any WaveRider stockholder who has a question about the merger, the merger agreement, or how to vote or revoke a proxy, or who wishes to obtain additional copies of this joint proxy/registration statement, should contact:

Investor Relations
WaveRider Communications Inc.
255 Consumers Road, Suite 500
Toronto, Ontario M2J 1R4
Phone: (416) 502-3200
Email: investors@WaveRider.com

Solicitation of Proxies and Expenses

WaveRider will pay its own costs of soliciting proxies for the WaveRider special meeting. Certain directors, officers and employees of WaveRider may solicit proxies, without additional remuneration, by telephone, facsimile, electronic mail, telegraph and in person. WaveRider expects that the expenses of this special solicitation will be nominal. Following the mailing of this proxy statement/prospectus, WaveRider will request brokers, custodians, nominees and other record holders to forward copies of this proxy statement/prospectus to persons for whom they hold shares of WaveRider common stock and to request authority for the exercise of proxies. In such cases, WaveRider, upon the request of the record holder, will reimburse such holder for their reasonable expenses.

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THE MERGER

The following is a description of the material aspects of the merger. While we believe that the following description covers the material terms of the merger, the description may not contain all of the information that is important to you. We encourage you to read carefully this entire proxy statement/prospectus, including the merger agreement attached to this proxy statement/prospectus as Annex A, for a more complete understanding of the merger.

Background of the Merger

In light of the current industry and financial market conditions, both Wave Wireless and WaveRider have evaluated a wide variety of different strategies to achieve profitability, and business scenarios to improve their competitive positions and enhance their respective stockholder values, including opportunities for acquisitions of other companies or product lines, possible partnerships or alliances, and other strategic transactions. In particular, Wave Wireless throughout much of 2004 and 2005, together with its financial advisor, Burnham Hill Partners (“BHP”), considered and investigated a variety of possible strategic transactions. Following its restructuring announced in April 2005, this effort intensified, given Wave Wireless management’s desire to offset the decline in Wave Wireless’ revenue caused by the discontinuance of certain product lines. Similarly, throughout 2004 and 2005, WaveRider explored various strategic transactions designed to improve WaveRider’s financial position.

On August 26, 2005, Michael Abrams, a Senior Vice President of BHP, contacted management of WaveRider to determine whether WaveRider would be interested in exploring a strategic transaction with Wave Wireless. After expressing an interest, Wave Wireless and WaveRider signed a mutual non-disclosure agreement relating to the possible combination of the two companies, dated August 26, 2005.

On August 31, 2005, Wave Wireless held a special meeting of its board of directors to discuss, among other issues, possible strategic transactions. At that meeting, Daniel W. Rumsey, the Acting Chief Executive Officer of Wave Wireless, briefed the board of directors regarding discussions with WaveRider, including possible synergies. At that meeting, the board of directors expressed its support to continue discussions with management of WaveRider.

On September 6 and 7, 2005, Mr. Rumsey and Mr. Abrams met with Charles Brown and Scott Worthington, the Chief Executive Officer and Chief Financial Officer, respectively, of WaveRider, at WaveRider’s offices in Toronto, Canada. At that meeting, the attendees discussed a proposed structure whereby WaveRider would merge with and into a subsidiary of Wave Wireless, as well as other issues relating to product synergies and management. No definitive agreement was reached at that point. Prior to that meeting, management of Wave Wireless engaged in several telephone conversations with Messrs. Brown and Worthington, the purpose of which was to explore whether a combination of WaveRider and Wave Wireless was in the best interest of their respective stockholders, given each company’s product portfolio and financial condition, among other issues. During this time, Wave Wireless’ management reviewed WaveRider’s public filings and other information made available to Wave Wireless to assist in its determination that a combination with WaveRider was consistent with Wave Wireless’ strategy of acquiring or merging with similar companies offering complementary products in the wireless communications industry. Similarly, WaveRider’s management determined that combining with Wave Wireless represented the most desirable course of action given the difficult industry and market conditions, as well as the synergies represented by the combined companies.

On September 13, 2005, the board of directors of WaveRider held a special meeting to consider a possible transaction. At that meeting, the board of directors expressed its support for ongoing dialog between the management of both companies.

Discussions between BHP, Wave Wireless and WaveRider continued through September 2005. During this time, management exchanged additional information and held several additional telephone meetings to discuss the potential combination. On September 26 and 27, 2005, Mr. Worthington visited Wave Wireless' offices in San Jose, the purpose of which was to better understand the company that would result from the combination of WaveRider and Wave Wireless, and to exchange information necessary to evaluate their respective businesses. Numerous issues were discussed relating to the combination of the two companies, including capabilities, synergies, organization and pro-forma financial projections.

On September 28, 2005, Wave Wireless held a special meeting of its board of directors. At that meeting, Mr. Rumsey presented an overview of the benefits of a proposed combination, and reviewed the proposed terms of a transaction, including the likely conditions to consummating a transaction. At this meeting, the directors again expressed its support for the proposed combination, subject to approval of definitive terms, and the satisfactory completion of due diligence.

On September 29 and 30, 2005, Mr. Rumsey again visited WaveRider's offices in Toronto, the primary purpose of which was to, among other things, conduct due diligence relating to WaveRider, and to review WaveRider's operations. Similarly, on October 11 and 12, 2005, Mr. Brown visited Wave Wireless' offices in San Jose, California.

On October 12, 2005, Wave Wireless held a special meeting of its board of directors. At that meeting, Mr. Rumsey reviewed his findings relating to WaveRider's operations, and presented an overview of the combined company's business, including product descriptions, and possible future plans. Management also discussed the potential synergies that could arise from a combination of the two companies, as well as the proposed terms of a merger. Mr. Rumsey also recommended that the board approve a proposed term sheet and letter of intent providing for a merger of the two companies. The board unanimously approved the term sheet, and authorized Mr. Rumsey to execute the letter of intent on substantially the terms presented.

On October 18, 2005, Wave Wireless proposed a draft term sheet to WaveRider on substantially the terms approved by Wave Wireless' board of directors. After discussion, the parties determined to put off the execution of a letter of intent pending completion of additional due diligence, and resolution of certain issues pertaining to financing, valuation, deal structure and integration.

On November 10, 2005, WaveRider held a special meeting of its board of directors. At that meeting, the board approved the concept of the merger and authorized management to sign a letter of intent substantially in the form presented to the board.

On November 15, 2005, WaveRider's board met, reiterated their support of the potential merger and authorized the issuance of a press release announcing the signing of the letter of intent. On November 16, 2005, the parties executed the letter of intent. The next day, the parties issued a joint press release announcing their intent to merge.

On November 21 and 22, WaveRider held a special meeting of its board of directors in Tampa, Florida, the primary purpose of which was to discuss the issues surrounding the development of the definitive agreement between WaveRider and Wave Wireless, that was previously circulated for review. At the invitation of the board of directors, Messrs. Rumsey and Abrams attended different portions of the meeting.

On November 29 through December 2, 2005, Mr. Brown visited Wave Wireless in San Jose to evaluate the capabilities of both engineering and operations, and staffing issues, and to conduct further due diligence. During this visit, Mr. Brown and Mr. Rumsey discussed and negotiated certain terms of the draft merger agreement, which reflected comments previously provided by each company's advisors.

A final briefing of the board of directors of Wave Wireless occurred at a special meeting of the board held on December 6, 2005. All members of the board, with the exception of Craig Roos, who was unavailable, attended the meeting. At that meeting, Mr. Rumsey briefed the board of directors of Wave Wireless regarding the final results of his due diligence, and recommended that the board of directors approve the draft merger agreement presented at the meeting. After considering issues relating to financing, board composition, the relative ownership of the surviving corporation, and the benefit to stockholders, the board of directors voted unanimously to approve the draft merger agreement in substantially the form presented to the board. The board of directors then directed Mr. Rumsey to complete the negotiations with management of WaveRider, and to execute the draft merger agreement, with such changes as deemed necessary and advisable by management.

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On December 9, 2005, WaveRider held a special meeting of its board of directors. At that meeting, the board approved the merger and authorized management to sign a definitive agreement to merge on substantially the terms presented at the meeting.

On December 12 and 13, Mr. Brown visited Wave Wireless' offices in Sarasota, Florida to meet with Wave Wireless' sales staff, and to conduct a review of Wave Wireless' sales and sales support operations. Mr. Brown's findings were presented to WaveRider's board of directors at a special meeting of the board held on December 15, 2005. At that meeting, the board of directors approved the appointment of Mr. Michael Chevalier, Mr. Michael Milligan and Mr. Bruce Sinclair as WaveRider's representatives on the board of the merged company, upon closing.

Between December 13, 2005 and the end of the year, management of Wave Wireless and WaveRider negotiated with certain of their major creditors in order to obtain preliminary agreements to convert their debt into equity securities, to ensure that one of the conditions to closing of the merger would be satisfied.

On January 3, 2006, the Agreement and Plan of Merger and related documents were executed and delivered. The next day, WaveRider and Wave Wireless issued a joint public announcement of the merger.

WaveRider's Reasons for the Merger

WaveRider's board of directors believes that the combination of Wave Wireless and WaveRider will create a stronger company. WaveRider's board of directors also believes that combining the complementary products, services, research and development efforts, direct sales, marketing and distribution channels of Wave Wireless and WaveRider will enable the combined company to reach more customers and compete more effectively against larger competitors.

In reaching its conclusion that the combination of Wave Wireless and WaveRider, and the terms of the merger agreement, are advisable, fair to, and in the best interests of, WaveRider and its stockholders, the board of directors of WaveRider consulted with WaveRider's management team regarding the strategic and operational aspects of the merger and the results of the strategic, business and operational due diligence efforts undertaken by management. The WaveRider board of directors also consulted with representatives of Foley Hoag LLP regarding the fiduciary duties of the members of the WaveRider board of directors, legal due diligence matters and the terms of the merger agreement and related agreements. The WaveRider board of directors considered many factors which, when taken as a whole, supported its decision, including the following business considerations:

- the complementary nature of the existing technologies and products of Wave Wireless and WaveRider, and the combining of Wave Wireless SPEEDLAN family of 2.4GHz, 4.9GHz and 5.8GHz mesh networking products and WaveRider's Last Mile Solution® non-line-of-sight, fixed and mobile wireless 900MHz products;

- the prospect for an improved competitive position for the combined company which could offer a broad set of products and solutions that provide robust, wireless broadband applications and solutions; and

- the combined financial strength and resources of the two companies may enhance the ability of the combined company to respond more quickly and effectively to increased competition and customer demands.

The WaveRider board of directors also considered a number of additional factors relevant to the merger, including the following:

- historical information concerning WaveRider's and Wave Wireless' respective businesses, financial performances and financial conditions, operations, technology, management and competitive positions;

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- the financial condition, results of operations, business and strategic objectives of WaveRider and Wave Wireless before and after giving effect to the merger and the merger's potential effect on stockholder value;

- the potential effect on stockholder value of WaveRider continuing as an independent entity as compared to the potential effect of a combination with Wave Wireless;

- the likely effect of dilution on WaveRider's stockholders which will result if WaveRider seeks to raise further equity capital topurchase the WaveRider convertible notes or if WaveRider enters into an exchange offer with the holders of the WaveRider convertible notes which would result in a reduction of the conversion price of such notes;

- current financial market conditions and historical market prices, volatility and trading information with respect to WaveRider and Wave Wireless common stock;

- that based on the anticipated exchange ratio (which is subject to adjustment) and the closing prices of Wave Wireless and WaveRider common stock, the merger consideration represents a premium to share prices, including an approximate 182% premium compared to the November 16, 2005 closing price, an approximate 339% premium implied by the 30 day average of the closing price of Wave Wireless and WaveRider for the period ending November 16, 2005 and other increased premiums implied by longer periods;

- that WaveRider will continue to participate in the strategic direction of the combined company through participation on Wave Wireless' board of directors; and

- the operating challenges, opportunities and prospects of WaveRider as an independent company, including increased competition, the remaining life cycle of WaveRider's current products and the level of research and development spending necessary to develop new products that will be competitive with products offered by competitors with greater financial resources.

The WaveRider board of directors considered the structure of the merger and the terms of the merger agreement, including the parties' representations, warranties and covenants, the conditions to their respective obligations to complete the transaction, and considered, among others, the following factors:

- shares of Wave Wireless common stock issued to WaveRider stockholders will be registered on a Form S-4 registration statement and will be freely tradable for all but affiliates of WaveRider;

- the terms of the merger agreement, including the conditions to closing, and Wave Wireless' right to terminate the merger agreement;

- WaveRider's rights under the merger agreement to consider unsolicited acquisition proposals and to change its recommendation to WaveRider stockholders to adopt the merger agreement and approve the merger should WaveRider receive a superior proposal, and the limited number of WaveRider shares of common stock that would be covered by voting agreements and proxies; and

- the fact that, under the merger agreement, each stock option outstanding under WaveRider's stock option plans and each outstanding warrant will be assumed by Wave Wireless.

The WaveRider board of directors also identified and considered a number of uncertainties, risks and potentially negative factors in its deliberations concerning the merger, including:

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the merger is expected to be a “reorganization” for United States federal income tax purposes, and as a result stockholders will not recognize gain or loss on the exchange of WaveRider common shares in the merger for shares of Wave Wireless common stock, except to the extent of the cash, if any, received in lieu of a fractional share of common stock of the combined company. Inconsistencies under existing law and uncertainties raised by proposed Treasury Regulations, however, create the possibility that the merger will not be treated as a “reorganization” for United States federal income tax purposes, with the result that stockholders will recognize gain or loss in the merger;

- the volatility of the trading prices of Wave Wireless common stock, including the fact that the exchange ratio for the share consideration to be received by WaveRider stockholders will not increase in the event of a decline in the trading price of Wave Wireless common stock or an increase in the trading price of WaveRider common stock;

- the risk that the potential benefits of the merger might not be realized;

- the possibility that the merger might not be consummated, even if approved by WaveRider's stockholders, and the effect of the public announcement and dependency of the merger on WaveRider's and Wave Wireless' sales, operating results, stock price, customers, supplies, employees, partners and other constituencies;

- the risks of integrating the business of WaveRider and Wave Wireless and the potential management, customer, supplier, partner and employee disruption that may be associated with the merger;

- a termination fee of up to $300,000 payable to Wave Wireless or WaveRider upon the occurrence of certain events, and the potential effect of such factors in deterring other potential acquirors from proposing an alternative transaction that may be more advantageous to Wave Wireless' or WaveRider's stockholders;

- the interests that WaveRider's executive officers and directors may have with respect to the merger in addition to their interests as WaveRider stockholders. See "—Interests of WaveRider Directors and Executive Officers in the Merger" beginning on page 31 of this proxy statement/prospectus for a more complete discussion of these interests; and

- various other applicable risks associated with the combined company and the merger, including those described under the section entitled "Risk Factors" beginning on page 17 of this proxy statement/prospectus.

After due consideration, the WaveRider board of directors concluded that overall, the risks, uncertainties, restrictions and potentially negative factors associated with the merger were outweighed by the potential benefits of the transaction, and that many of these risks could be managed or mitigated by WaveRider or by the combined company or were unlikely to have a material adverse impact on the merger or the combined company.

The foregoing information and factors considered by the WaveRider board of directors are not intended to be exhaustive but are believed to include all of the material factors considered by the WaveRider board of directors. In view of the variety of factors and the amount of information considered, WaveRider's board of directors did not find it practicable to, and did not, quantify, rank or otherwise assign relative weights to the specific factors it considered in approving the merger agreement and the merger. In addition, individual members of WaveRider's board of directors may have given different weights to different factors. The WaveRider board of directors considered all of these factors as a whole, and overall considered them to be favorable and to support its determination.

Recommendation of the WaveRider Board of Directors

After careful consideration and based on the foregoing analysis, the WaveRider board of directors, on December 9, 2005, determined that the terms of the merger agreement and the merger are advisable, fair to and in the best interests of, WaveRider and its stockholders and unanimously approved the merger agreement and the merger. The WaveRider board of directors unanimously recommends that the stockholders of WaveRider vote "**FOR**" the proposal to adopt the merger agreement and approve the merger and "**FOR**" the proposal to permit adjournment or postponement of the WaveRider special meeting.

Interests of WaveRider Directors and Executive Officers in the Merger

In considering the recommendation of WaveRider's board of directors that you, as a WaveRider stockholder, vote to approve and adopt the merger agreement and approve the merger, you should be aware that some of WaveRider's executive officers and directors have interests in the transaction that are different from, or in addition to, your interests as a WaveRider stockholder. The WaveRider board of directors was aware of these interests and took these interests into account in approving the merger agreement and the merger. These interests are summarized below.

Stock Options

At the effective time of the merger, all outstanding WaveRider stock options, whether vested or unvested, will be assumed by Wave Wireless and become options to purchase shares of Wave Wireless common stock. The number of shares of Wave Wireless common stock issuable upon exercise of each such option, and the exercise price of each such option, will be adjusted by the exchange ratio, which will be determined immediately prior to completion of the merger. Each adjusted option will be subject to the same terms and conditions, including expiration date, vesting and exercise provisions, as were applicable to the corresponding option prior to the effective time of the merger.

Employment and Other Agreements

D. Bruce Sinclair. On November 18, 1997, WaveRider entered into an employment agreement with Mr. Sinclair whereby he will serve as its president and chief executive officer for an initial term of one year subject to annual extensions thereafter. Under the agreement's terms, Mr. Sinclair had a base salary of Can. $300,000 and a bonus plan of $200,000. The agreement provided that in the event that Mr. Sinclair was terminated without cause, he would be paid severance in an amount equal to one year's salary plus one month's salary for each year of employment in excess of twelve years service. Upon termination of Mr. Sinclair's employment for cause, WaveRider will have no obligation to Mr. Sinclair. Mr. Sinclair is entitled to participate in WaveRider's employee fringe benefit plans or programs generally available to our employees.

From time to time, since that date, the WaveRider board of directors has reviewed and amended the base salary, bonus and severance components of that agreement. On October 16, 2002, Mr. Sinclair reduced his day-to-day involvement, ceased using the title president, and waived salary payments in excess of Can. $84,000 per annum. On April 1, 2003, Mr. Sinclair and the compensation committee of the WaveRider board of directors agreed to a change in the amount being waived to any amount in excess of Can. $175,000. On October 15, 2004, in order to support WaveRider's cash position, Mr. Sinclair agreed to a further change, which waived any amount in excess of Can. $60,000. The waiver of salary payments over the amount agreed does not impact Mr. Sinclair's potential severance entitlement.

In 2001, the WaveRider board of directors agreed to amend Mr. Sinclair's employment agreement to provide that in the event that Mr. Sinclair's employment was terminated, other than for cause, he would be paid severance in an amount equal to three year's salary. On February 9, 2005, the WaveRider board of directors and Mr. Sinclair agreed to reduce the severance to an amount equal to one year's salary in exchange for the issuance of employee stock options to purchase 500,000 shares of common stock, at the then current market price of $0.19 per share.

On March 30, 2005, Mr. Sinclair requested medical leave from WaveRider, as its Chief Executive Officer. Subsequently, Mr. Sinclair and the board of directors agreed that Mr. Sinclair remain in a consulting role, on the same compensation basis as prior to his leave, providing oversight and direction while pursuing opportunities in mergers, acquisitions and strategic partnerships.

Charles W. Brown. On February 16, 1998, WaveRider entered into an employment agreement with Mr. Brown in substantially the same form as that described for Mr. Sinclair, with the exception of certain change in control provisions. On October 16, 2002, Mr. Brown was named executive vice president of WaveRider. On March 30, 2005, Mr. Brown was named Chief Executive Officer.

T. Scott Worthington. On January 5, 1998, WaveRider entered into an employment agreement with Mr. Worthington in substantially the same form as that described for Mr. Sinclair, with the exception of certain change in control provisions. Mr. Worthington serves as WaveRider's vice president and Chief Financial Officer.

The board of directors' has agreed to amend Mr. Worthington's agreement to state that in the event that Mr. Worthington's roles and responsibilities with WaveRider are reduced after a change of control, WaveRider will pay him severance in an amount equal to two years' salary.

Effect of Merger on Existing Agreements

As a result of the merger, Mr. Sinclair's employment with WaveRider will be terminated. Although Mr. Sinclair is entitled to one year's severance and other benefits under the terms of his agreement, he has agreed to accept one-half of his severance payable over one year, in addition to the payment of health benefits, and has agreed to provide certain legal and other consulting services to Wave Wireless after consummation of the merger as additional consideration for the severance payments. Mr. Sinclair will continue to serve on the board of directors of Wave Wireless after the merger.

It is currently anticipated that WaveRider will not be obligated to pay any other severance obligations to executive officers of WaveRider as a result of the merger.

Summary of Equity and Incentive Awards of Directors and Officers of WaveRider

The following table identifies, for each WaveRider director and executive officer, as of December 31, 2005, the aggregate number of shares subject to outstanding options to purchase shares of WaveRider common stock, the aggregate shares subject to vested options, the weighted average exercise price of all outstanding options, and each such person's relationship to WaveRider (which are calculated as of December 31, 2005).

Name	Aggregate Shares Subject to Outstanding Options	Aggregate Shares Subject to Vested Options	Weighted Average Price of Outstanding Options	Relationship to WaveRider	Estimated Deferred Compensation Payment
Robert Francis	50,000	50,000	0.19	Chairman, Director	
Gerry Chastelet	57,500	57,500	0.46	Director	
Michael Chevalier	50,000	50,000	0.19	Director	
Donald Gibbs	50,000	50,000	0.19	Director	
Steven Grant	50,000	50,000	0.07	Director	
Michael Milligan	55,000	55,000	0.40	Director	
Bruce Sinclair (1)	722,500	717,500	1.27	Director	
Charles Brown	130,000	75,000	0.90	Chief Executive Officer	
Scott Worthington	130,000	75,000	0.90	Vice President, Chief Financial Officer and	

Corporate Secretary

(1) Included in Mr. Sinclair’s options are 77,500 options received from other shareholders.

Board Seats Following Completion of the Merger

Wave Wireless has agreed to increase the size of its board of directors from five members to seven members. Prior to the effective time of the merger, George P. Roberts and R. Craig Roos, each a current director of Wave Wireless will resign from the board of directors of Wave Wireless, and immediately following completion of the merger, Charles W. Brown, WaveRider's Chief Executive Officer, and Michael Chevalier, Michael Milligan and D. Bruce Sinclair, each a current director of WaveRider, will be appointed to the board of directors of Wave Wireless.

Indemnification; Directors' and Officers' Insurance

Wave Wireless will, and has agreed to cause the company surviving the merger to, honor all of the indemnification obligations of WaveRider to its directors and officers that exist immediately prior to completion of the merger pursuant to WaveRider's articles of incorporation and bylaws. For five years after the completion of the merger, the articles of incorporation and bylaws of the company surviving the merger will contain provisions regarding indemnification that are at least as favorable to the directors and officers of WaveRider immediately prior to completion of the merger as the indemnification provisions that are contained in the articles of incorporation and bylaws of WaveRider at the time the merger agreement was executed.

For a period of three years after the completion of the merger, Wave Wireless will also cause the company surviving the merger to use all reasonable efforts to maintain directors' and officers' liability insurance covering those directors and officers of WaveRider who are currently covered by WaveRider's directors' and officers' liability insurance on terms comparable to those applicable to the current directors and officers. However, the company surviving the merger will not be required to pay, in total, an annual premium for the insurance described in this paragraph in excess of $50,000.

As a result of the interests described above under each heading, WaveRider's executive officers and directors have interests in the merger that may have made them more likely to vote to approve and adopt the merger agreement and approve the merger and to recommend the same to the WaveRider stockholders, than if they did not hold these interests.

Material United States Federal Income Tax Consequences

Wave Wireless and WaveRider expect, but cannot assure you, that for United States federal income tax purposes the merger will be treated as reorganization within the meaning of Section 368(a) of the Code. If the merger is treated as a reorganization, stockholders of WaveRider who exchange their shares of WaveRider common stock in the merger for shares of Wave Wireless common stock will not recognize gain or loss for United States federal income tax purposes, except to the extent of the cash, if any, received in lieu of a fractional share of common stock of the combined company. Under existing case law, rulings, and proposed Treasury Regulations released in March 2005, however, the treatment of the merger as reorganization is not certain. In particular, uncertainties exist relating to the surrender and receipt of "net value" in a transaction, and when and to what extent a corporation's creditors may be treated as holding "proprietary interests" in the corporation for purposes of the continuity of proprietary interest requirement of reorganizations. If the merger is not treated as a reorganization, stockholders of WaveRider who exchange their shares of WaveRider common stock in the merger for shares of Wave Wireless common stock will recognize gain or loss in the exchange in an amount equal to the difference between the fair market value of the Wave Wireless common stock and cash received in the merger and the stockholder's adjusted tax basis in his or her shares of WaveRider common stock exchanged therefor. Neither counsel to Wave Wireless nor counsel to WaveRider will render an opinion on the tax consequences of the merger, nor will any ruling be obtained from the Internal Revenue Service or other taxing authority. As a result of the uncertainty, Wave Wireless and WaveRider urge stockholders to consult their own tax advisors regarding the specific tax consequences of the merger.

WAVERIDER STOCKHOLDERS ARE STRONGLY URGED TO CONSULT THEIR TAX ADVISORS AS TO THE SPECIFIC TAX CONSEQUENCES TO THEM OF THE MERGER IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES INCLUDING THE APPLICABILITY AND EFFECT OF UNITED STATES FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX LAWS.

Accounting Treatment of the Merger

Wave Wireless intends to account for the merger using the purchase method of accounting for business combinations, with Wave Wireless being considered the acquiror of WaveRider in conformity with accounting principles generally accepted in the United States of America. This means that Wave Wireless will allocate the purchase price to the fair value of assets, including identifiable intangible assets acquired and liabilities assumed from WaveRider at the effective time of the merger, with the excess purchase price being recorded as goodwill. The preliminary purchase price allocation is subject to revision as more detailed analysis is completed and additional information on the fair value of WaveRider's assets and liabilities becomes available.

Effect of the Merger on WaveRider Stock Options, Warrants and Employee Stock Purchase Plan

When the merger is completed, Wave Wireless will assume all outstanding options to purchase shares of WaveRider common stock granted under WaveRider's Employee Stock Option (1997) Plan, the 1999 Incentive and Nonqualified Stock Option Plan, the Employee Stock Option (2000) Plan and the Employee Stock Option (2002) Plan and all outstanding warrants to purchase shares of WaveRider common stock. The assumed options and warrants will have the same terms and conditions (including vesting schedules and exercise periods), adjusted as necessary to reflect the substitution of Wave Wireless common stock for WaveRider stock.

Prior to the effective time of the merger, the WaveRider employee stock purchase plan will be terminated. Any offering period then underway under the WaveRider employee stock purchase plan will be shortened by setting a new exercise date that is prior to the effective time of the merger, and each participant's option to purchase WaveRider common stock under the employee stock purchase plan will be exercised automatically on the new exercise date. See the section entitled "—Treatment of Rights under the WaveRider Employee Stock Purchase Plan" on page 53 of this proxy statement/prospectus.

Wave Wireless intends to file a registration statement on Form S-8 with the Securities and Exchange Commission to the extent available and applicable as soon as practicable following the completion of the merger but not later than 20 business days following the completion of the merger in connection with the shares underlying the assumed and outstanding WaveRider options.

Trading of Shares of Wave Wireless Common Stock on the OTC Bulletin Board

Wave Wireless common stock (including the shares issued in the merger) is traded on the OTC Bulletin Board of the National Association of Securities Dealers, Inc under the symbol "WVWC."

Cessation of Trading and Deregistration of WaveRider Common Stock After the Merger

When the merger is completed, WaveRider common stock will cease to be traded on the OTC Bulletin Board and it will be deregistered under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Restrictions on Sales of Shares of Wave Wireless Common Stock Received in the Merger

The shares of Wave Wireless common stock to be issued in the merger will be registered under the Securities Act of 1933, as amended (the "Securities Act") and should be freely transferable, except for shares of Wave Wireless common stock issued to any person who is deemed to be an "affiliate" of WaveRider prior to the merger. Persons who may be deemed to be "affiliates" of WaveRider prior to the merger include individuals or entities that control, are controlled by, or are under common control with WaveRider, prior to the merger, and may include officers and directors, as well as principal stockholders of WaveRider, prior to the merger. Affiliates of WaveRider will be notified separately of their affiliate status.

Persons who may be deemed to be affiliates of WaveRider prior to the merger may not sell any of the shares of Wave Wireless common stock received by them in connection with the merger except pursuant to:

- an effective registration statement under the Securities Act covering the resale of those shares;

- an exemption under paragraph (d) of Rule 145 under the Securities Act; or
- any other applicable exemption under the Securities Act.

Wave Wireless' registration statement on Form S-4, of which this proxy statement/prospectus forms a part, covers the resale of shares of Wave Wireless common stock to be received in connection with the merger by certain parties who may be deemed to be affiliates of WaveRider prior to the merger.

Dissenters' Rights of Appraisal

Under Nevada law, subject to certain exceptions that do not apply to the merger, a stockholder is entitled to dissent from, and obtain cash payment for the fair value of his or her shares (i) in the event of consummation of a plan of merger or plan of exchange in which the Nevada corporation is a constituent entity, and (ii) any corporate action taken pursuant to a vote of the stockholders to the extent that the articles of incorporation, bylaws or a resolution of the board of directors provides that voting or non-voting stockholders are entitled to dissent and obtain payment for their shares.

You do have the right to dissent from the merger and obtain cash payment for the "fair value" of your shares, as determined in accordance with the Nevada Revised Statutes ("NRS"). Below is a description of the steps you must take if you wish to exercise dissenters' rights with respect to the merger under NRS Sections 92A.300 to 92A.500, the Nevada dissenters' rights statute. The text of the statute is set forth in full as Annex B to this proxy statement/prospectus. This description is not intended to be complete. If you are considering exercising your dissenters' rights with respect to the merger, you should review NRS Sections 92A.300 to 92A.500 carefully, particularly the steps required to perfect dissenters' rights. Failure to take any one of the required steps may result in termination of your dissenters' rights under Nevada law. If you are considering dissenting, you should consult with your own legal advisor.

To exercise your right to dissent, you must:

- before the effective date of the Merger, deliver written notice to WaveRider Communications Inc., Attention: Investor Relations, 255 Consumers Road, Suite 500, Toronto, Ontario, Canada A6 M2J IR4, stating that you intend to demand payment for your shares if the merger is completed; and
- not vote your shares in favor of the merger, either by proxy or in person.

Failure to vote against the merger will not constitute a waiver of dissenters' rights. A vote against is not deemed to satisfy the written notice requirement. If you satisfy those conditions, WaveRider will send you a written dissenter's notice within 10 days after the merger is effective. This dissenter's notice will:

- specify where you should send your payment demand and where and when you must deposit your stock certificates, if any;
- inform holders of uncertificated shares to what extent the transfer of their shares will be restricted after their payment demand is received;
- supply a form of payment demand that includes the date the merger was first publicly announced and the date by which you must have acquired beneficial ownership of your shares in order to dissent;
- set a date by when WaveRider must receive the payment demand, which may not be less than 30 or more than 60 days after the date the dissenters' notice is delivered; and

· provide you a copy of Nevada's dissenters' rights statute.

After you have received a dissenter's notice, if you still wish to exercise your dissenters' rights, you must:

- demand payment either through the delivery of the payment demand form to be provided or other comparable means;
- certify whether you have acquired beneficial ownership of the shares before the date set forth in the dissenter's notice; and
- deposit your certificates, if any, in accordance with the terms of the dissenter's notice.

FAILURE TO DEMAND PAYMENT IN THE PROPER FORM OR DEPOSIT YOUR CERTIFICATES AS DESCRIBED IN THE DISSENTER'S NOTICE WILL TERMINATE YOUR RIGHT TO RECEIVE PAYMENT FOR YOUR SHARES PURSUANT TO NEVADA'S DISSENTERS' RIGHTS STATUTE. YOUR RIGHTS AS A STOCKHOLDER WILL CONTINUE UNTIL THOSE RIGHTS ARE CANCELED OR MODIFIED BY THE COMPLETION OF THE MERGER.

Within 30 days after receiving your properly executed payment demand, WaveRider will pay you what it determines to be the fair value of your shares, plus accrued interest (computed from the effective date of the merger until the date of payment). The payment will be accompanied by:

- WaveRider's balance sheet as of the end of a fiscal year ended not more than 16 months before the date of payment, an income statement for that year, a statement of changes in stockholders' equity for that year, and the latest available interim financial statements, if any;
- an explanation of how WaveRider estimated the fair value of the shares and how the interest was calculated;
- information regarding your right to challenge the estimated fair value; and
- a copy of Nevada's dissenters' rights statute.

WaveRider may elect to withhold payment from you if you became the beneficial owner of the shares on or after the date set forth in the dissenter's notice. If WaveRider withholds payment, after the consummation of the merger, WaveRider will estimate the fair value of the shares, plus accrued interest, and offer to pay this amount to you in full satisfaction of your demand. The offer will contain a statement of WaveRider's estimate of the fair value, an explanation of how the interest was calculated, and a statement of dissenters' rights to demand payment under NRS Section 92A.480.

If you believe that the amount WaveRider pays in exchange for your dissenting shares is less than the fair value of your shares or that the interest is not correctly determined, you can demand payment of the difference between your estimate and WaveRider's. You must make such demand within 30 days after WaveRider has made or offered payment; otherwise, your right to challenge calculation of fair value terminates. If there is still disagreement about the fair market value within 60 days after WaveRider receives your demand, WaveRider will petition the District Court of Reno, Nevada to determine the fair value of the shares and the accrued interest. If WaveRider does not commence such legal action within the 60-day period, WaveRider will have to pay the amount demanded for all unsettled demands. All dissenters whose demands remain unsettled will be made parties to the proceeding, and are entitled to a judgment for either:

- the amount of the fair value of the shares, plus interest, in excess of the amount WaveRider paid; or
- the fair value, plus accrued interest, of the after-acquired shares for which WaveRider withheld payment.

WaveRider will pay the costs and expenses of the court proceeding, unless the court finds the dissenters acted arbitrarily, vexatiously or in bad faith, in which case the costs will be equitably distributed. Attorney fees will be divided as the court considers equitable.

FAILURE TO FOLLOW THE STEPS REQUIRED BY NRS SECTIONS 92A.400 THROUGH 92A.480 FOR PERFECTING DISSENTERS' RIGHTS MAY RESULT IN THE LOSS OF SUCH RIGHTS. IF DISSENTERS' RIGHTS ARE NOT PERFECTED, YOU WILL BE ENTITLED TO RECEIVE THE CONSIDERATION RECEIVABLE WITH RESPECT TO SUCH SHARES IN ACCORDANCE WITH THE MERGER AGREEMENT. IN VIEW OF THE COMPLEXITY OF THE PROVISIONS OF 13 NEVADA'S DISSENTERS' RIGHTS STATUTE, IF YOU ARE CONSIDERING OBJECTING TO THE MERGER YOU SHOULD CONSULT YOUR OWN LEGAL ADVISOR.

THE MERGER AGREEMENT

The following summary describes the material provisions of the merger agreement. The provisions of the merger agreement are complicated and not easily summarized. This summary may not contain all of the information about the merger agreement that is important to you. The merger agreement is attached to this proxy statement/prospectus as Annex A and is incorporated by reference into this proxy statement/prospectus, and we encourage you to read it carefully in its entirety for a more complete understanding of the merger agreement.

Structure of the Merger

The merger agreement provides for the merger of Wave Acquisition Corporation, a newly formed, wholly-owned subsidiary of Wave Wireless, with and into WaveRider with WaveRider surviving the merger as a wholly-owned subsidiary of Wave Wireless.

Completion and Effectiveness of the Merger

We will complete the merger when all of the conditions to completion of the merger contained in the merger agreement described in the section entitled "—Conditions to Completion of the Merger" on page 54 of this proxy statement/prospectus are satisfied or waived, including approval and adoption of the merger agreement and approval of the merger by the stockholders of WaveRider. The merger will become effective upon the filing of a certificate of merger with the Secretary of State of the State of Nevada.

We are working to complete the merger as quickly as possible. We currently plan to complete the merger in the first quarter of 2006. However, because completion of the merger is subject to various conditions, we cannot predict the exact timing of the merger or whether the merger will occur at all.

Conversion of WaveRider Common Stock in the Merger

As of the date of this proxy/statement prospectus, it is expected that each share of WaveRider common stock issued and outstanding immediately before the effective time of the merger, other than shares owned by Wave Wireless, Wave Acquisition Corporation or any other direct or indirect subsidiary of Wave Wireless or shares that are owned by WaveRider or its direct or indirect subsidiaries, will automatically be converted into the right to receive approximately 1.3 shares of Wave Wireless common stock (subject to adjustment as described below). Due to the adjustments described below, the precise number of shares of Wave Wireless common stock that will be issued in the merger for each outstanding share of WaveRider common stock (which is referred to in this proxy statement/prospectus as the "exchange ratio") will not be known until immediately prior to the completion of the merger. Wave Wireless will not issue any fractional shares. Instead, WaveRider stockholders that would otherwise be entitled to receive a fractional share will receive a cash payment in accordance with the terms of the merger agreement, as described below in "—Fractional Shares."

Wave Wireless and WaveRider intend that, upon completion of the merger, the former stockholders and holders of options, warrants and other convertible securities of WaveRider, as a group, will hold or be entitled to receive approximately 50% of the total outstanding shares of Wave Wireless common stock, assuming the cashless exercise of all in-the-money options and warrants and the conversion of certain other convertible securities of both Wave Wireless and WaveRider. If all in-the-money options and warrants had been exercised on a cashless basis and certain other convertible securities of both Wave Wireless and WaveRider had been converted on January 3, 2006, the date of the merger agreement, Wave Wireless would have had 63,030,914 shares of common stock outstanding and WaveRider would have had 51,754,498 shares of common stock outstanding on that date. Based on these numbers, if the merger had been completed on that same date, the exchange ratio would have been 1.2179, as indicated in the merger agreement. However, in order to account for any changes that may occur to the capital structure of Wave Wireless or WaveRider between the date of the merger agreement and the effective time of the merger, the merger agreement provides that the exchange ratio will be adjusted immediately prior to the completion of the merger so that the stockholders and holders of options, warrants and other convertible securities of WaveRider will receive or become entitled to receive 50% of the total outstanding shares of Wave Wireless common stock immediately following the merger (assuming the cashless exercise of all in-the-money options and warrants and the conversion of certain other convertible securities of Wave Wireless).

After adjusting the exchange ratio as described above, the exchange ratio will be further adjusted immediately prior to completion of the merger to account for any deficiency or surplus in the required net working capital of Wave Wireless and WaveRider. The merger agreement requires that Wave Wireless and WaveRider must each have at least $1 million in net working capital as of December 31, 2005. If the actual net working capital of Wave Wireless or WaveRider on December 31, 2005 is more or less than $1 million, a corresponding adjustment will be made to the exchange ratio. The effect of this adjustment may cause the stockholders and holders of options, warrants and other convertible securities of WaveRider, as a group, to receive more or less than 50% of the total outstanding shares of Wave Wireless common stock immediately after the merger (assuming the exercise of all in-the-money options and warrants and the conversion of all other convertible securities of Wave Wireless).

Wave Wireless and WaveRider anticipate that, after making all of the adjustments provided for in the merger agreement, the exchange ratio immediately prior to the Closing will be approximately 1.3.

Conversion of WaveRider Convertible Debentures and Convertible Preferred Stock

As of December 31, 2005, Crescent International Ltd. (“Crescent”), held convertible debentures issued by WaveRider with a total outstanding principal amount of approximately $1.5 million. WaveRider has issued to Crescent 350 shares of WaveRider’s Series D Convertible Preferred Stock with an aggregate face value of $350,000 as consideration for Crescent’s agreement to: (i) not convert most of its convertible debentures into shares of WaveRider common stock prior to the merger, (ii) vote in favor of the merger, and (iii) exchange the convertible debentures and preferred shares for Wave Wireless’ equity securities in the merger. In the merger, all outstanding shares of WaveRider’s Series D Convertible Preferred Stock issued to Crescent and all of WaveRider’s outstanding convertible debentures will be converted, in the aggregate, into the following securities of Wave Wireless:

- a number of shares of Wave Wireless’ Series H Convertible Preferred Stock with an aggregate face value of approximately $1.3 million and a conversion price of approximately $0.15 per share (which means that these shares will be convertible into approximately 8.8 million shares of Wave Wireless common stock);

- a number of shares of Wave Wireless Series I Convertible Preferred Stock with an aggregate face value of approximately $133,000 and a conversion price of approximately $0.01 per share (which means these shares will be convertible into approximately 13.3 million shares of Wave Wireless common stock); and

- and warrants to purchase approximately 8.8 million shares of Wave Wireless common stock at an exercise price of $0.20 per share.

Under the terms of the Series H Convertible Preferred Stock, Series I Convertible Preferred Stock and warrants issued to Crescent in the merger, the holder of these securities may not convert or exercise them into shares of Wave Wireless common stock, and Wave Wireless may not issue shares of its common stock to any of these holders, if the conversion or exercise would cause the holder or any of its affiliates, individually or in the aggregate, to beneficially own more than 4.99% of Wave Wireless’ outstanding common stock.

WaveRider has also issued 450 shares of Series D Convertible Preferred Stock to Wave Wireless in exchange for the cancellation of certain promissory notes in the aggregate principal amount of $450,000 previously issued by WaveRider to Wave Wireless. In the merger, all shares of Series D Convertible Preferred Stock held by Wave Wireless will be automatically cancelled and no securities of Wave Wireless will be issued in exchange for those shares.

Fractional Shares

Wave Wireless will not issue any fractional shares of common stock in connection with the merger. Instead, each holder of WaveRider common stock exchanged in connection with the merger who would otherwise be entitled to receive a fraction of a share of common stock of Wave Wireless will receive cash, without interest, in an amount equal to the fraction multiplied by the average closing sale price of one share of Wave Wireless common stock for the ten most recent trading days that Wave Wireless common stock has traded ending on the trading day one day prior to the date the merger is completed, as reported on the OTC Bulletin Board.

Exchange Procedures

Promptly following completion of the merger, Wave Wireless will cause its transfer agent, the exchange agent for the merger, to mail to each record holder of WaveRider common stock a letter of transmittal and instructions for surrendering the record holder's stock certificates in exchange for a certificate representing Wave Wireless common stock and the cash portion of the merger consideration. Those holders of WaveRider common stock who properly surrender their WaveRider stock certificates in accordance with the exchange agent's instructions will receive (1) the number of whole shares of Wave Wireless common stock that the holder is entitled to receive pursuant to the merger agreement, (2) cash in lieu of any fractional share of Wave Wireless common stock, and (3) any dividends or other distributions, if any, to which they are entitled under the terms of the merger agreement. The surrendered certificates representing WaveRider common stock will be canceled. After the effective time of the merger, each certificate representing shares of WaveRider common stock that has not been surrendered will represent only the right to receive each of items (1) through (3) enumerated in this paragraph. Following the completion of the merger, WaveRider will not register any transfers of WaveRider common stock on its stock transfer books.

Holders of WaveRider common stock should not send in their WaveRider stock certificates until they receive a letter of transmittal from the exchange agent for the merger, with instructions for the surrender of WaveRider stock certificates.

Distributions with Respect to Unexchanged Shares

Holders of WaveRider common stock are not entitled to receive any dividends or other distributions on Wave Wireless common stock until the merger is completed. After the merger is completed, holders of WaveRider common stock will be entitled to dividends and other distributions declared or made after completion of the merger with respect to the number of whole shares of Wave Wireless common stock which they are entitled to receive upon exchange of their WaveRider stock certificates, but they will not be paid any dividends or other distributions on the Wave Wireless common stock until they surrender their WaveRider stock certificates to the exchange agent in accordance with the exchange agent instructions.

Representations and Warranties

WaveRider made a number of representations and warranties to Wave Wireless in the merger agreement regarding aspects of its business, financial condition and structure, as well as other facts pertinent to the merger, including representations and warranties relating to the following subject matters:

- corporate organization, qualification to do business, good standing and corporate power of WaveRider and its subsidiaries;

- WaveRider's capital structure and the absence of restrictions or encumbrances with respect to the capital stock of WaveRider or any subsidiary;

- corporate authorization to enter into the merger agreement and consummate the transactions under the merger agreement, and the enforceability of the merger agreement;

- absence of any conflict with or violation of the charter and bylaws of WaveRider and equivalent organizational documents of its subsidiaries, or any applicable legal requirements resulting from the execution of the merger agreement or the completion of the merger;
- governmental and regulatory approvals required to complete the merger;
- filings and reports with the Securities and Exchange Commission;
- financial statements;
- the absence of certain changes and events, including any material adverse effect on WaveRider, since September 30, 2005;
- the absence of certain undisclosed liabilities;
- litigation;
- good and valid title to or valid leasehold interests in all material tangible properties and assets used in its business;
- intellectual property rights;
- real property rights;
- compliance with applicable legal requirements;
- possession of and compliance with all permits required for the operation of business;
- agreements, contracts and commitments;
- taxes;
- employee benefit plans and labor relations;
- personnel;
- environmental matters;
- accuracy of information supplied in this proxy statement/prospectus and the related registration statement filed by Wave Wireless with the Securities and Exchange Commission;
- the absence of any unlawful payments made to certain parties;
- transactions between WaveRider and its affiliates;
- insurance;
- the accuracy and completeness of all minutes books of WaveRider and its subsidiaries;
- the vote of stockholders required to complete the merger; and

- payment, if any, required to be made to brokers and finders on account of the merger.

Wave Wireless made a number of representations and warranties to WaveRider in the merger agreement, including representations and warranties relating to the following subject matters:

- corporate organization, qualification to do business, good standing and corporate power of Wave Wireless and its subsidiaries;
- Wave Wireless' capital structure and the absence of restrictions or encumbrances with respect to the capital stock of WaveRider or any subsidiary;
- corporate authorization to enter into the merger agreement and consummate the transactions under the merger agreement, and the enforceability of the merger agreement;
- absence of any conflict with or violation of the charter and bylaws of Wave Wireless and equivalent organizational documents of its subsidiaries, or any applicable legal requirements resulting from the execution of the merger agreement or the completion of the merger;
- governmental and regulatory approvals required to complete the merger;
- filings and reports with the Securities and Exchange Commission;
- financial statements;
- the absence of certain changes and events, including any material adverse effect on Wave Wireless, since September 30, 2005;
- the absence of certain undisclosed liabilities;
- litigation;
- good and valid title to or valid leasehold interests in all material tangible properties and assets used in its business;
- intellectual property rights;
- real property rights;
- compliance with applicable legal requirements;
- possession of and compliance with all permits required for the operation of business;
- agreements, contracts and commitments;
- taxes;
- employee benefit plans and labor relations;
- personnel;
- environmental matters;
-

accuracy of information supplied in this proxy statement/prospectus and the related registration statement filed by Wave Wireless with the Securities and Exchange Commission;

- the absence of any unlawful payments made to certain parties;

- transactions between Wave Wireless and its affiliates;
- insurance;
- the accuracy and completeness of all minutes books of Wave Wireless and its subsidiaries; and
- payment, if any, required to be made to brokers and finders on account of the merger.

The representations and warranties contained in the merger agreement are complicated and not easily summarized. You are urged to read carefully Articles II and III of the merger agreement attached as Annex A entitled "Representations and Warranties of the Company" and "Representations and Warranties of Parent."

Conduct of Business Before Completion of the Merger

Under the merger agreement, Wave Wireless and WaveRider have each agreed that, until the earlier of the completion of the merger or termination of the merger agreement, or unless the other consents in writing, it will use all reasonable efforts to carry on its business, in all material respects, in the usual, regular and ordinary course, in substantially the same manner as previously conducted, and will use all reasonable efforts to preserve intact its present business organization and continue to manage in the ordinary course its business relationships with third parties.

Under the merger agreement, Wave Wireless and WaveRider have each also agreed that, until the earlier of the completion of the merger or termination of the merger agreement, or unless the other party consents in writing, it will conduct its business in compliance with a number of specific restrictions and will not (and not permit its subsidiaries to), subject to specified exceptions:

- waive any stock repurchase rights, accelerate vesting or exercisability of options or restricted stock, reprice options or authorize cash payments in exchange for options under any equity plans;
- enter into any material partnership arrangements, joint development agreements or strategic alliances;
- grant any severance or termination pay to any officer or employee in excess of $15,000 individually and $150,000 in the aggregate;
- adopt any new severance retention or amend, alter or modify any existing severance plan or agreement;
- enter into any agreement which transfers or licenses or otherwise extends, amends or modifies in any material respect any rights to intellectual property, other than non-exclusive licenses in the ordinary course of business consistent with past practice;
- declare or pay dividends or make any other distributions in respect of any capital stock, or effect any stock splits, combinations or reclassifications or authorize the issuance of any other securities in respect of capital stock;
- purchase, redeem or otherwise acquire any shares of capital stock except repurchases of unvested shares at cost pursuant to stock option or purchase agreements in connection with the termination of employees;
- issue, deliver, sell, authorize or encumber any shares of capital stock or any securities convertible into, or rights, warrants or options to acquire, shares of capital stock, other than shares pursuant to exercise of outstanding stock options or warrants or issuable in accordance with WaveRider's employee stock purchase plan;

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- authorize or propose any amendments to its charter or bylaws (or similar governing instruments of its subsidiaries);
- acquire or agree to acquire any business or any corporation, partnership or other business organization or otherwise acquire or agree to acquire any assets that are significant, individually or in the aggregate, to its business, except in the ordinary course of business consistent with past practice;
- sell, transfer, lease, license, encumber or otherwise dispose of any properties or assets that are material, individually or in the aggregate, to its business except in the ordinary course consistent with past practice;
- incur any indebtedness, issue or sell any debt securities or options, warrants or other rights to acquire debt securities, enter into any "keep well" or other agreement to maintain any financial statement condition, or incur or modify any other material liability, other than (i) in connection with the financing of ordinary course trade payables consistent with past practice, and (ii) pursuant to existing credit facilities in the ordinary course of business;
- adopt or amend any employee benefit, stock purchase or stock option plan;
- make payments outside of the ordinary course of business in excess of $75,000 in the aggregate;
- amend or terminate any material contract or agreement to which it or a subsidiary is a party, or waive, delay the exercise of, release or assign any material rights or claims under such contracts or agreements, except in the ordinary course of business consistent with past practice;
- except as required by GAAP, revalue any assets or make any change in accounting methods, principles or practices;
- incur or enter into any agreement or commitment in excess of $100,000 individually;
- hire any employee or consultant with an annual compensation level in excess of $75,000;
- pay, discharge or satisfy any claim, liability or obligation, other than the payment, discharge or satisfaction of amounts in the ordinary course of business; or
- agree in writing or otherwise to take any of the foregoing actions.

Wave Wireless and WaveRider Prohibited from Soliciting Other Offers

No Solicitation of Acquisition Proposals

Wave Wireless and WaveRider have agreed, subject to the limitations described below, that they will not nor will they permit or authorize any of their subsidiaries or any of their or their subsidiaries' respective officers, directors or employees or other representatives to:

- solicit, initiate, knowingly encourage, knowingly facilitate or knowingly induce any inquiry with respect to, or the making, submission or announcement of, any acquisition proposal;
- participate in any negotiations regarding, or furnish to any person any nonpublic information with respect to, or knowingly take any other action to facilitate any inquiries or the making of any proposal that constitutes or may reasonably be expected to lead to, any acquisition proposal;

- engage in discussions with any person with respect to any acquisition proposal, except as to the existence of the terms of the merger agreement regarding acquisition proposals;

- approve, endorse or recommend any acquisition proposal; or

- enter into any letter of intent or similar document or any contract, agreement or commitment contemplating or otherwise relating to any acquisition proposal.

Both parties further agree that they and their subsidiaries and their respective representatives, including non-officer employees and other agents will immediately cease any and all existing activities, discussions or negotiations with any third parties with respect to any acquisition proposal with respect to themselves, and will promptly request each person who has entered into a confidentiality agreement in connection with their consideration of an acquisition proposal to return all confidential information furnished by the party.

An acquisition proposal is any offer or proposal relating to any transaction or series of related transactions (other than the merger) involving:

- any purchase from Wave Wireless or WaveRider, as the case may be, or any acquisition by any person or group of more than a 15% interest in the total outstanding voting securities of Wave Wireless or WaveRider, as the case may be;

- any merger, consolidation, business combination or similar transaction involving Wave Wireless or WaveRider, as the case may be, or any of its subsidiaries;

- any purchase from Wave Wireless or WaveRider, as the case may be, of more than a 15% interest in the total outstanding voting securities of Wave Wireless or WaveRider or the granting or issuance of rights to acquire more than a 15% interest in the total outstanding voting securities of Wave Wireless or WaveRider; or

- any sale, lease outside the ordinary course of business, transfer, distribution, acquisition or disposition of more than 15% of the assets of Wave Wireless or WaveRider (including its subsidiaries taken as a whole).

Notification of Unsolicited Acquisition Proposals

Wave Wireless and WaveRider are obligated to promptly notify the other party in writing upon receipt of any type of acquisition proposal described above or any request for nonpublic information or inquiry it reasonably believes would lead to an acquisition proposal. The notice must include the material terms and conditions of the acquisition proposal, request or inquiry, the identity of the person or group making the acquisition proposal, request or inquiry and a copy of all written materials provided in connection with the acquisition proposal, request or inquiry. The recipient of an acquisition proposal must also keep the other party informed as promptly as practicable in all material respects of the status and details of the acquisition proposal, request or inquiry. Wave Wireless and WaveRider further agreed to generally provide the other party with 48 hours’ notice (or such lesser prior notice as is provided to the members of its board of directors) of any meeting of its board of directors at which its board of directors is reasonably expected to consider any acquisition proposal.

Superior Offers

If WaveRider receives an acquisition proposal that its board determines in good faith constitutes or is reasonably likely to lead to a superior offer, it may, at any time prior to obtaining WaveRider stockholder approval for the merger, take the following actions, but only if WaveRider has not otherwise breached its obligations with respect to any acquisition proposal, and its board of directors believes in good faith that the failure to take such action is reasonably likely to result in a breach of its fiduciary duties:

- furnish nonpublic information to the third party making the acquisition proposal, provided that (i) at least one business day prior to furnishing any nonpublic information, WaveRider gives Wave Wireless written notice of its intent to furnish the nonpublic information, (ii) WaveRider receives from the third party an executed confidentiality agreement, with terms that are at least as restrictive as the terms contained in any confidentiality agreement between Wave Wireless and WaveRider, and (iii) WaveRider furnishes the same nonpublic information to Wave Wireless; and

- engage in discussions or negotiations with the third party with respect to the superior offer, after giving Wave Wireless at least 48 hours prior written notice of its intent to do so.

A superior offer is any an unsolicited, bona fide written acquisition proposal made by a third party after the date of the merger agreement on terms that the WaveRider board of directors believes in good faith (i) is reasonably capable of being completed on the terms proposed and (ii) if completed would result in a transaction more favorable, from a financial point of view, to WaveRider's stockholders than the terms of the merger.

Change of Recommendation

In response to a superior offer, the WaveRider board of directors may withdraw, amend or modify its recommendation to WaveRider's stockholders that they approve and adopt the merger agreement and approve the merger and, in the case of a superior offer that is a tender or exchange offer made directly to WaveRider stockholders, the WaveRider board of directors may recommend that its stockholders accept the tender or exchange offer, if certain conditions are satisfied.

Treatment of WaveRider Stock Options and Warrants

When the merger is completed, Wave Wireless will assume all outstanding options to purchase shares of WaveRider common stock. Under the terms of the merger agreement, these options will be converted into options to purchase shares of Wave Wireless common stock. Each assumed WaveRider option will be converted into an option to purchase that number of shares of Wave Wireless common stock equal to the number of shares of WaveRider common stock purchasable pursuant to the WaveRider option immediately prior to the effective time of the merger, multiplied by the exchange ratio, rounded down to the nearest whole number of shares of Wave Wireless common stock. The exercise price per share will be equal to the exercise price per share of WaveRider common stock divided by the exchange ratio, rounded up to the nearest whole cent.

Each assumed option will be subject to all other terms and conditions set forth in the applicable documents evidencing each WaveRider option immediately prior to the effective time of the merger, including any repurchase rights or vesting provisions. As of the record date, options to purchase approximately 1,485,912 shares of WaveRider common stock were outstanding in the aggregate under various WaveRider stock option plans.

The conversion of options that are intended to be "incentive stock options," as defined in Section 422 of the Code will be effected in a manner consistent with the applicable provisions of the Code for purposes of preserving incentive stock option treatment where appropriate.

Wave Wireless will file a registration statement on Form S-8 with the Securities and Exchange Commission, to the extent available and applicable, for the shares of Wave Wireless common stock issuable with respect to WaveRider options assumed by Wave Wireless in connection with the merger as soon as practicable after the merger.

Treatment of Rights under the WaveRider Employee Stock Purchase Plan

WaveRider's employee stock purchase plan permits eligible WaveRider employees to purchase WaveRider common stock at a discount pursuant to such employees' participation in the WaveRider employee stock purchase plan. Prior to the effective time of the merger, the WaveRider employee stock purchase plan will be terminated.

Directors and Officers Indemnification and Insurance

Wave Wireless has agreed to cause the company surviving the merger to honor all of the indemnification obligations of WaveRider to its directors and officers that exist immediately prior to completion of the merger pursuant to WaveRider's articles of incorporation and bylaws. For five years after the completion of the merger, the articles of incorporation and bylaws of the company surviving the merger will contain provisions regarding indemnification that are at least as favorable to the directors and officers of WaveRider immediately prior to completion of the merger as the indemnification provisions that are contained in the articles of incorporation and bylaws of WaveRider at the time the merger agreement was executed.

For a period of three years after the completion of the merger, Wave Wireless has also agreed to cause the company surviving the merger to use all reasonable efforts to maintain directors' and officers' liability insurance covering those directors and officers of WaveRider who are currently covered by WaveRider's directors' and officers' liability insurance on terms comparable to those applicable to the current directors and officers. However, the company surviving the merger will not be required to pay, in total, an annual premium for the insurance described in this paragraph in excess of $50,000.

Conditions to Completion of the Merger

The respective obligations of Wave Wireless and Wave Acquisition Corporation, on the one hand, and WaveRider, on the other, to complete the merger and the other transactions contemplated by the merger agreement are subject to the satisfaction or waiver of each of the following conditions before completion of the merger:

- the merger agreement has been adopted and approved and the merger has been approved by the vote of the holders of the requisite number of shares of WaveRider common stock;

- no statute, rule, regulation or order has been adopted or promulgated and no temporary restraining order, preliminary or permanent injunction or other order, judgment, decision, opinion or decree has been issued by a court or other governmental entity authority that has the effect of making the merger illegal or otherwise prohibiting or unduly delaying consummation of the merger; and

- the Securities and Exchange Commission has declared Wave Wireless' registration statement effective, no stop order suspending its effectiveness has been issued and no proceedings for suspension of the registration statement's effectiveness, or a similar proceeding in respect of this proxy statement/prospectus, has been initiated or threatened in writing by the Securities and Exchange Commission.

In addition, individually, the respective obligations of Wave Wireless and Wave Acquisition Corporation on the one hand, and WaveRider on the other, to effect the merger and the other transactions contemplated by the merger agreement are subject to the satisfaction or waiver of the following additional conditions:

- the representations and warranties of the other party are true and correct as of the date the merger is to be completed;

- the other party will have performed or complied in all material respects with all of its agreements and covenants required by the merger agreement to be performed or complied with by it before completion of the merger;

- since the date of the merger agreement, there has not been any state of facts, events, changes, effects, developments, conditions or occurrences that, individually or in the aggregate, have had or would reasonably be expected to have a material adverse effect on the other party;

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all waivers, licenses, agreements, permits, consents, approvals and authorizations of third parties and governmental entities and any modifications or amendments to existing agreements with third parties required to be obtained by the other party in order to consummate the merger have been obtained and are in full force and effect and without conditions or limitations that unreasonably restrict the ability to consummate the merger;

Termination of the Merger Agreement

The merger agreement may be terminated in accordance with its terms at any time prior to completion of the merger, whether before or after the approval and adoption of the merger agreement and approval of the merger by WaveRider stockholders:

- by mutual written consent duly authorized by the boards of directors of Wave Wireless and WaveRider;
- by Wave Wireless or WaveRider if the merger is not completed by April 30, 2006, except that this right to terminate the merger agreement is not available to any party whose action or failure to act has been a principal cause of or resulted in the failure of the merger to occur on or before that date (the date determined by this paragraph being referred to as the "termination date");
- by Wave Wireless or WaveRider, if there is any order of a court or other action or inaction of any governmental entity having the effect of permanently restraining, enjoining or otherwise prohibiting the completion of the merger which is final and non-appealable;
- by Wave Wireless or WaveRider if the merger agreement and the merger fails to receive the requisite affirmative vote for adoption and approval at a meeting of WaveRider stockholders or at any adjournment of that meeting;
- by Wave Wireless, if any of the following triggering events occur:
  - WaveRider breaches or fails to perform in any material way its representations, warranties and agreements made in the merger agreement, and the breach is not, or cannot be, cured within 30 days of notice of the breach or the termination date, whichever is earlier;
  - WaveRider's board of directors fails to authorize, approve or recommend the merger; or
  - WaveRider's board of directors withdraws, amends or modifies, in a manner adverse to Wave Wireless, its recommendation in favor of the adoption and approval of the merger agreement and approval of the merger.
- by WaveRider, if any of the following triggering events occur:
  - Wave Wireless breaches or fails to perform in any material way its representations, warranties and agreements made in the merger agreement, and the breach is not, or cannot be, cured within 30 days of notice of the breach or the termination date, whichever is earlier;
  - WaveRider's board of directors withdraws, amends or modifies, in a manner adverse to Wave Wireless, its recommendation in favor of the adoption and approval of the merger agreement and approval of the merger.

Payment of Termination Fee

Under the terms of the merger agreement, Wave Wireless and WaveRider have each agreed to pay to the other party a termination fee of $300,000 if the merger agreement is terminated by either party due to its receipt of a superior offer, which is described in the section entitled "—Wave Wireless and WaveRider Prohibited from Soliciting Other Offers" on page 51 of this proxy statement/prospectus. If the merger agreement is terminated by either Wave Wireless or WaveRider for any other reason, the terminating party is required to pay to the non-terminating party an amount equal to 110% of the non-terminating party's actual out-of-pocket costs and expenses incurred in connection with the proposed merger, up to a maximum of $250,000.

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Extension, Waiver and Amendment of the Merger Agreement

Wave Wireless and WaveRider may amend the merger agreement before completion of the merger by mutual written consent.

Either Wave Wireless or WaveRider may extend the other's time for the performance of any of the obligations or other acts under the merger agreement, waive any inaccuracies in the other's representations and warranties and waive compliance by the other with any of the agreements or conditions contained in the merger agreement.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited pro forma condensed consolidated financial statements for Wave Wireless, on pages F-A1 to F-A4 of this proxy statement/prospectus, have been prepared to illustrate the acquisition of WaveRider in a transaction to be accounted for as a purchase in accordance with Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations," with Wave Wireless treated as the acquiror. The unaudited pro forma condensed consolidated balance sheet on page F-A1 combines the historical audited consolidated balance sheets of Wave Wireless and WaveRider as of September 30, 2005, prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), giving effect to the merger as if it occurred on September 30, 2005. The unaudited pro forma condensed consolidated statements of operations on page F-A2 and F-A3 combine the historical consolidated statement of operations of Wave Wireless and WaveRider for the nine-months ended September 30, 2005 and the year ended December 31, 2004, respectively, prepared in accordance with GAAP, giving effect to the merger as if it occurred as of the beginning of the period presented, reflecting only pro forma adjustments expected to have a continuing impact on the combined results.

These unaudited pro forma condensed consolidated financial statements are for informational purposes only. They do not purport to present the results that would have actually occurred had the merger been completed on the assumed dates or for the periods presented, or which may be realized in the future. To produce the pro forma financial information, Wave Wireless allocated the purchase price of WaveRider using its best estimates of fair value. These estimates are based on the most recently available information. To the extent there are significant changes to WaveRider's business, the assumptions and estimates herein could change significantly. Accordingly, the purchase accounting adjustments reflected in the unaudited pro forma condensed consolidated financial statements included herein are preliminary and subject to change. The pro forma financial information does not reflect any potential operating efficiencies. The unaudited pro forma condensed consolidated financial statements should be read in conjunction with "Wave Wireless Management's Discussion and Analysis of Financial Condition and Results of Operations," "WaveRider Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical consolidated financial statements, including the related notes, of Wave Wireless and WaveRider covering these periods, included in this proxy statement/prospectus.

WAVE WIRELESS MANAGEMENT AFTER THE MERGER

Directors and Officers

Wave Wireless' board of directors is authorized to have seven directors. Upon completion of the merger, the executive officers and directors of Wave Wireless, their ages as of Dec 31, 2005, their positions and their backgrounds will be as follows:

Name	Age	Position
Charles W. Brown	50	Chief Executive Officer and Director
T. Scott Worthington	51	Chief Financial Officer
Don Meiners	44	President
Carlos Belfiore	61	Vice President – Engineering and Chief Technical Officer
James D. Bletas	60	Vice President – Sales and Marketing
Frederick R. Fromm	56	Director
Daniel W. Rumsey	44	Director
Richard Reiss	48	Director
Michael Chevalier	63	Director
Michael Milligan	48	Director
D. Bruce Sinclair	54	Director

Upon completing the merger, George P. Roberts and R. Craig Roos, each a current director of Wave Wireless will resign from the board of directors, and Charles W. Brown, the current Chief Executive Officer and a current director of WaveRider, and Michael Chevalier, Michael Milligan and D. Bruce Sinclair, each a current director of WaveRider, will join the combined company's board of directors. In addition, upon completing the merger, Daniel W. Rumsey will resign from his position as an executive officer of Wave Wireless, and Charles W. Brown and T. Scott Worthington, the current Chief Financial Officer of WaveRider, will become the Chief Executive Officer and Chief Financial Officer, respectively, of the combined company.

Background

Charles W. Brown. Mr. Brown, age 50, has been WaveRider's chief executive officer since March 2005. Prior to his promotion to chief executive officer, Mr. Brown was WaveRider's executive vice president of the Company since October 15, 2002. From February 1998 to October 2002, he served as WaveRider's vice president of marketing. From 1994 until February 1998, Mr. Brown was Clearnet Communications' first vice president and CIO. From 1993 to 1994, he served as vice president of, sales and marketing for Trillium Communications and, from 1990 to 1993, he served as director of, strategic planning and marketing for BCE Mobile. Mr. Brown has a Masters in Business Administration from the University of Western Ontario.

T. Scott Worthington. Mr. Worthington, age 51, has been WaveRider's vice president and the Company's chief financial officer since January 1998. Mr. Worthington has over 25 years of senior financial and executive management, including 9 years at Dell Computer Corporation, in Canada, where he held numerous positions including chief financial officer of the Canadian subsidiary. Mr. Worthington has a Bachelor of Business Administration from York University and is a Chartered Accountant.

Don Meiners. Mr. Meiners, age 44, was appointed President on March 10, 2005. Prior to his appointment, he served as Wave Wireless' Vice President - Operations, and has held a variety of management roles since he joined Wave Wireless in 1992. These include Vice President of Operations, Vice President Engineering, Vice President Manufacturing and Vice President of Engineering Program Management. Prior to joining Wave Wireless, Mr. Meiners served in design engineering roles and project management for Digital Microwave Corporation and Equitorial Inc. Mr. Meiners graduated from the Missouri Institute Of Technology in 1983.

Carlos T. Belfiore. Mr. Belfiore, age 61, currently serves as Wave Wireless' Vice President – Engineering, and Chief Technical Officer. Prior to joining Wave Wireless in November 2003, he was an independent engineering consultant. Prior to that, Dr. Belfiore held various management and technical leadership positions at Stratex Networks, which he joined in 1988, including Senior Director IDU Development, Director of New Technology Development, Director of Modem Development, and Senior Scientist. Prior to joining Stratex, Dr. Belfiore was with the Microwave

Communication Division of Harris Corporation, serving as Manager of Advanced Development and Principal Development Engineer. Dr. Belfiore received a Ph.D. in electrical engineering from University of Minnesota in 1976.

James D. Bletas. Mr. Bletas, age 60, currently serves as Wave Wireless' Vice President – Sales and Marketing. Mr. Bletas has 35 years of experience in the wireless telecommunications industry focused on sales and marketing. Prior to joining Wave Wireless, Mr. Bletas founded Wireless Networks International, Inc., a global distributor of networking and wireless communications products and services. During his four-year tenure as President and CEO, Mr. Bletas grew the company's annual revenue to more than $20 million, and expanded the operations to geographic areas outside of the U.S., including Latin America, the Middle East and Asia. Before joining Wireless Networks International, Inc., Mr. Bletas was the Vice President of Sales at Wireless Inc., a pioneer in the licensed exempt market and an original developer of broadband access and subscriber equipment. He began his sales career in wireless telecommunications equipment in the microwave communications division of Harris Corporation, where he last served as Vice President of Worldwide Sales and Marketing.

Frederick R. Fromm. Mr. Fromm, age 56, has served as a director of Wave Wireless since June 2001. Since February 2004, Mr. Fromm has served as a consultant to several telecommunications companies. From May 2003 to February 2004, Mr. Fromm was President and Chief Executive Officer of Gluon Networks, Inc. a telecommunications equipment company. From July 2000 to October 2001, he was President, and from Nov. 2001 to October 2002 he was also Chief Executive Officer, of Oplink Communications, Inc., an optical components company. From October 1998 to July 2000, he was President and Chief Executive Officer of Siemens Information and Communications, Inc, a telecommunications equipment company. From October 1996 to October 1998, he was President and Chief Executive Officer of Siemens Telecom Networks, Inc., a telecommunications equipment company.

Daniel W. Rumsey. Mr. Rumsey, age 44, was appointed Chief Restructuring Officer on March 10, 2005 and to the Wave Wireless board of directors on May 13, 2005. Mr. Rumsey's title was changed to Acting Chief Executive Officer in July 2005. Prior to his appointment as Chief Restructuring Officer, since March 2003, Mr. Rumsey served as Wave Wireless' Vice President, Acting Chief Financial Officer and General Counsel. Prior to joining Wave Wireless, Mr. Rumsey was Vice President and General Counsel of Knowledge Kids Network, Inc., a multi-media education company. Knowledge Kids Network is part of the Knowledge Universe family of companies. Prior to joining Knowledge Kids Network, Mr. Rumsey was the President and Chief Executive Officer of Aspen Learning Systems and NextSchool, Inc., which he joined in February 1997. Mr. Rumsey sold Aspen Learning Systems and NextSchool to Knowledge Kids Network in 1999. Mr. Rumsey has an extensive restructuring, legal and finance background, dating back to 1987 when he served as a staff attorney in the U.S. Securities and Exchange Commission's Division of Corporation Finance. He has also served as Assistant General Counsel for Terra Industries, Inc. and Associate General Counsel and Corporate Secretary of EchoStar Communications Corporation. Mr. Rumsey also serves as the Chairman of the Board of Directors of Prescient Applied Intelligence, and as a director of Dirt Motor Sports, Inc. Mr. Rumsey received his J.D. from the University of Denver College of Law in 1985, and his B.S. from the University of Denver in 1983.

Richard Reiss. Mr. Reiss, age 48, has served as director of Wave Wireless since March 2005. Mr. Reiss is currently the Chairman of the Board of Directors of Glowpoint, Inc., where he has served since May 2000. He served as the Chief Executive Officer of Glowpoint from May 2000 to April 2002, and as President from May 2000 to April 2002. Mr. Reiss served as Chairman of the Board of Directors, President and Chief Executive Officer of All Communications Corporation from its formation in 1991 until the formation of Glowpoint's predecessor pursuant to a merger of All Communications Corporation and View Tech, Inc. in May 2000.

Michael Chevalier. Mr. Chevalier, age 63, has been a director of WaveRider since January 2005. From January 2001 to September 2002, he served as VP and General Manager of Magnetic Data International, a worldwide leader in cell phone and hard drive warranty repair. From 1991 to 2001, he was in varying capacities of increasing responsibilities for Motorola's Wireless Data Division. He started up the Canadian operation in Toronto and subsequently led the European Wide Operations for the same division in the UK and Germany. Mr. Chevalier studied at Mount Allison University and Sir George Williams University in Mathematics and Physics.

Michael Milligan. Mr. Milligan, age 48, has been one of WaveRider's directors since July 2003. Mr. Milligan is the president and chief executive officer of Kasten Chase, a high-assurance data security solutions company. From 1995 until December 2003, Mr. Milligan served as executive vice president, chief financial officer, general counsel and secretary of Kasten Chase. Prior to joining Kasten Chase, Mr. Milligan was a partner in the law firm of Cunningham, Swan, Carty, Little & Bonham in Kingston Ontario. He earned a Bachelor of Commerce degree at Carleton University and a Bachelor of Laws degree at Queen's University.

D. Bruce Sinclair. Mr. Sinclair, age 54, has been a director of WaveRider since December 1997 and its chief executive officer from November 1997 to March 2005. Since March 2005, when Mr. Sinclair stepped down from his position as chief executive officer for short-term medical reasons, he has been a consultant to WaveRider, focused on financing, mergers and acquisitions and strategic partnerships. From November 1997 to October 2002, he served as WaveRider's president. Mr. Sinclair is an experienced management professional who has worked in sales and management with companies including IBM Canada, Nortel and Harris Systems Limited. From 1988 to 1995, Mr. Sinclair was with Dell Computer Corporation where he held numerous positions including President of the Canadian subsidiary, vice-president of Europe and head of Dell in Europe. He earned his Masters of Business Administration from the University of Toronto.

Board Committees

The board of directors will have an Audit Committee and a Compensation Committee. At the first meeting of the board of directors following the consummation of the merger, it is intended that the board will nominate individuals to serve on each of the committees.

Wave Wireless' current Audit Committee, which was established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, currently consists of two directors, Frederick R. Fromm and R. Craig Roos. The Audit Committee is primarily responsible for approving the services performed by Wave Wireless' independent registered public accounting firm and reviewing their reports regarding our accounting practices and systems of internal accounting controls. The board of directors of Wave Wireless has determined that Mr. Roos is a financial expert in that he has (i) an understanding of generally accepted accounting principles and financial statements; (ii) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves; (iii) experience preparing, auditing, analyzing and evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by our financial statements, and experience actively supervising one or more persons engaged in those activities; (iv) an understanding of internal control over financial reporting; and (v) an understanding of audit committee functions. Both Mr. Fromm and Mr. Roos meet the requirements of an independent director set forth in Rule 4200(a)(15) of the Marketplace Rules of The NASDAQ Stock Market, Inc. Upon consummation of the Merger, Mr. Roos will resign as a director of Wave Wireless.

Wave Wireless' Compensation Committee currently consists of two directors, Frederick R. Fromm and Richard Reiss. Mr. Reiss was appointed to the Compensation Committee in April 2005. The Compensation Committee is primarily responsible for reviewing and approving Wave Wireless' general compensation policies and setting compensation levels for its executive officers. The Compensation Committee also has the authority to administer Wave Wireless' Employee Stock Purchase Plan, its 1995 Stock Option/Stock Issuance Plan and our 2004 Equity Incentive Plan.

Compensation Committee Interlocks and Insider Participation

None of the members of Wave Wireless' Compensation Committee has at any time been an officer or employee of Wave Wireless. None of Wave Wireless' executive officers currently serves, or in the past year has served, as a member of the board of directors or Compensation Committee of any entity that has one or more executive officers serving on Wave Wireless' board of directors or Compensation Committee.

Wave Wireless Director Compensation

Non-employee directors of Wave Wireless do not receive cash compensation for their services as directors. Following consummation of the merger, it is anticipated that the Compensation Committee of the board of directors will meet to decide whether to continue the practice of not paying cash compensation to directors for their service to the board of directors, or whether to provide for compensation for such service.

WaveRider Director Compensation

Effective April 1, 2005, the Chairman of the Board of WaveRider, Mr. Robert Francis received $6,500 per month as total cash compensation for his role. During the year ended December 31, 2005, the compensation plan for all other non-employee directors included: (1) a $2,500 annual retainer, payable quarterly; (2) a $1,000 annual retainer for each committee chairman; (3) a $1,000 meeting fee for each director who attended a board of directors or committee meeting in person; and (4) a $250 meeting fee for each director who attended a board of directors or committee meeting via telephone. Also, effective the next annual meeting of shareholders, there is an automatic award of options to purchase 50,000 shares of common stock for each non-employee director elected at the annual meeting to serve the following year. On February 9, 2005, the non-employee directors were each awarded 50,000 options under the Employee Stock Option (2002) Plan for their participation on the board of directors and each of its subcommittees.

Wave Wireless Executive Compensation

The following table provides certain information summarizing the compensation earned for services rendered in all capacities to Wave Wireless and its subsidiaries for each of the last three fiscal years by Wave Wireless' "named executive officers," who consist of its Chief Executive Officer and each of our four other most highly compensated executive officers, each of whom were executive officers as of December 31, 2005 and whose salary and bonus for the fiscal year ended December 31, 2005 was in excess of $100,000.

Summary Compensation Table

		Annual Compensation			Long Term Compensation Awards		
Name and Principal Position	Year	Salary ($)(1)	Bonus ($)	Other Annual Compensation ($)	Restricted Stock Awards ($)	Securities Underlying Options and Warrants (#)	All Other Compensation ($)
Samuel Smookler (3) Former Chief Executive Officer and Former Director	2005	73,327	—	—			—
	2004	252,100	125,000	—		—	—
	2003	139,569	—	53,083(2)		166,667	—
Daniel W. Rumsey Acting Chief Executive Officer and Director	2005	202,346	—	—	11,250	264,000	—
	2004	158,269	—	—		—	—
	2003	104,369	—	—		73,333	8,000(4)
Don Meiners President	2005	150,469	—	—	9,750	240,000	—
	2004	130,046	—	—		—	—
	2003	103,699	—	—		73,333	—
James D. Bletas (5) Vice President - Sales and Marketing	2005	115,385	—	—	9,750	240,000	—
	2004	—	—	—		—	—
	2003	—	—	—		—	—
Carlos A. Belfiore Vice President - Engineering and Chief Technical Officer	2005	138,000	41,400	—	9,750	240,000	—
	2004	138,000	—	—		—	—
	2003	18,577	—	—		91,667	—

(1) Includes amounts deferred under Wave Wireless' 401(k) Plan.

(2) On October 8, 2003, Mr. Smookler acquired 23.33 shares of Series C Preferred Stock of Wave Wireless convertible into 13,611 shares of common stock, resulting in an effective purchase price of $3.00 per share of common stock. The closing price per share of common stock as reported on the OTC Bulletin Board on October 8, 2003 was $6.90 per share.

(3) Mr. Smookler's employment with Wave Wireless was terminated on March 10, 2005.

(4) Prior to joining Wave Wireless full time in April 2003, Mr. Rumsey was paid $8,000 as a consultant to Wave Wireless.

(5) Mr. Bletas was hired as Executive Vice President – Sales and Marketing on March 21, 2005.

Option Grants in Last Fiscal Year

No stock options were granted by Wave Wireless to its named executive officers during the 2005 fiscal year. No stock appreciation rights were granted to these individuals during that fiscal year.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year End Option Values

The table below provides information with respect to Wave Wireless' named executive officers concerning: (i) the options that they exercised in 2005 and (ii) the number and value of their unexercised options as of December 31, 2005.

			Number of Securities Underlying Unexercised Options at Fiscal Year End (#)(3)		Value of Unexercised In-The-Money Options at Fiscal Year End ($)(1)	
Name	Shares Acquired On Exercise (#)	Value Realized ($)(2)	Exercisable	Unexercisable	Exercisable	Unexercisable
Sam Smookler	—	—	79,999	—	—	—
Don Meiners	—	—	44,513	30,555	—	—
Daniel W. Rumsey	—	—	42,778	30,555	—	—
James Bletas	—	—	—	—	—	—
Carlos A. Belfiore	—	—	48,268	34,731	—	—

(1) Based on the fair market value of the option shares at the 2005 fiscal year-end ($0.13 per share based on the closing selling price on the OTC Bulletin Board as of December 31, 2005) less the exercise price.
(2) Based on the fair market value of the shares on the exercise date less the exercise price paid for those shares.
(3) The options are immediately exercisable for all the options shares. However, any shares purchased under the options are subject to repurchase by Wave Wireless, at the original exercise price paid per share, upon the optionee's cessation of service prior to vesting in such shares.

WaveRider Executive Compensation

The following table describes the compensation earned in fiscal 2005 by the Chief Executive Officer of WaveRider and the other executive officers who received compensation in excess of $100,000 in 2005, 2004 and 2003 ("named executive officers").

Summary Compensation Table

		Annual Compensation		Long Term Compensation	
Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Options (#)	All Other Compensation ($)(1)
D. Bruce Sinclair	2005	49,519	—	500,000	—
CEO/Director	2004	115,972	—	—	—
	2003	105,966	62,214	—	—
Charles W. Brown	2005	131,721	—	50,000	—
Executive Vice President	2004	159,729	—	—	—
	2003	157,442	25,627	—	—
T. Scott Worthington	2005	131,721	—	50,000	—

Vice President and CFO	2004	135,089	—	—	—
	2003	128,016	21,390	—	—

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(1) In accordance with regulations promulgated by the SEC, perquisites are not included if the aggregate amount is less than the lesser of $50,000 or 10% of salary and bonus.

Aggregated Option/SAR Exercises in Last Fiscal Year and FY-End Option/SAR Values

The following table sets forth certain information regarding exercisable and unexercisable stock options held as of December 31, 2005, by each of the named executive officers of WaveRider. The value of unexercised in-the-money options has been calculated by determining the difference between the exercise price per share payable upon exercise of such options and the last sale price of WaveRider common stock on December 31, 2005, as reported on the OTC Bulletin Board ($0.11 per share). No stock options were exercised by WaveRider's named executive officers during 2005.

Name	Shares Acquired On Exercise (#)	Value Realized ($)	Exercisable	Unexercisable	Exercisable	Unexercisable
D. Bruce Sinclair (1)	—	—	717,500	5,000	—	—
Charles W. Brown	—	—	75,000	55,000	500	—
T. Scott Worthington	—	—	75,000	55,000	500	—

(1) Included in Mr. Sinclair's options are 77,500 options received from other stockholders.

Employment Contracts, Termination of Employment and Change-in-Control Arrangements

The Compensation Committee of the Wave Wireless board of directors, as Plan Administrator of the Wave Wireless 2004 Equity Incentive Plan, has the authority to provide for accelerated vesting of the shares of Wave Wireless common stock subject to any outstanding options held by the Chief Executive Officer and any other executive officer or any unvested share issuances actually held by such individual, in connection with certain changes in control of Wave Wireless or the subsequent termination of the officer's employment following the change in control event.

Existing and Terminated Agreements.

Wave Wireless entered into an Employment and Continuity of Benefits Agreement with George P. Roberts, dated May 31, 2001 ("Roberts Agreement"), outlining his continued employment with Wave Wireless as Chairman of the Board following his resignation as Chief Executive Officer on May 30, 2001. The Roberts Agreement provided for an employment period commencing May 31, 2001 through May 30, 2002. Throughout the employment period, Mr. Roberts was eligible to participate in all benefit plans that are made available to Wave Wireless' executives and for which Mr. Roberts qualified.

Wave Wireless entered into a letter agreement with George P. Roberts, dated April 28, 2003, extending the employment period under the Roberts Agreement through May 30, 2005. The letter agreement provided for the amendment of the Roberts Agreement upon the assignment of a new Chief Executive Officer of Wave Wireless. Effective September 1, 2003, due his resignation and the appointment of a new Chief Executive Officer of Wave Wireless, Mr. Roberts was entitled to compensation equal to half his salary prior to recent reductions, with one half of his total salary of $188,000 paid in cash, and the other half paid in common stock of Wave Wireless. On June 14, 2005, Wave Wireless entered into a further letter agreement with Mr. Roberts terminating the Roberts Agreement. Under the terms of the letter agreement, in lieu of paying Mr. Roberts approximately $132,000 due him under the Roberts Agreement, Mr. Roberts received a warrant to purchase 600,000 shares of common stock of Wave Wireless at an exercise price of $.30 per share. In addition, Wave Wireless agreed to pay Mr. Roberts' medical, dental and supplemental executive health care coverage for the remainder of Mr. Roberts' natural life.

Wave Wireless entered into an agreement with Sam Smookler, its former President and Chief Executive Officer, dated July 25, 2003, providing for the employment of Mr. Smookler as President and Chief Executive Officer for a period of two years. The agreement further provided for the payment to Mr. Smookler of a salary of $36,000 per month beginning September 1 and continuing through December 31, 2003. Beginning January 1, 2004, Mr. Smookler was paid a base salary of $250,000 per year. On September 2, 2004, Mr. Smookler was paid a cash bonus equal to 50% of his base salary. The agreement also provided for the grant of an option to purchase 2% of Wave Wireless' total number of shares of common stock issued and outstanding as of September 2, 2003. By agreement with the board of directors, this number was fixed at 166,666 shares, which amount was reduced to 80,000 due to limitations in Wave Wireless 1995 Stock Option/Stock Issuance Plan. Wave Wireless granted Mr. Smookler a warrant to purchase 86,666 shares of common stock, thereby making up the difference between the 166,666 shares granted by the board of directors, and the 80,000 actually issued under the 1995 Stock Option/Stock Issuance Plan. Mr. Smookler's employment with Wave Wireless was terminated on March 10, 2005. On January 17, 2006, Wave Wireless and Mr. Smookler entered into a Settlement Agreement and Release of Claims, pursuant to which Wave Wireless will pay Mr. Smookler $50,000 upon the earlier to occur of the receipt of at least $1.5 million in financing, or March 31, 2006. In addition, Wave Wireless has agreed to pay Mr. Smookler $3,750 for twenty months, with a balloon payment of $25,000 on September 1, 2007 the end of such period. Wave Wireless also issued Mr. Smookler a warrant to purchase 769,231 shares of its common stock at an exercise price of $.13 per share.

Wave Wireless entered into an agreement with Daniel W. Rumsey, its Acting Chief Executive Officer, and former Vice President, General Counsel and Acting Chief Financial Officer, on April 4, 2003. Under the terms of the agreement, in the event Mr. Rumsey's employment with Wave Wireless terminates at any time by reason of an involuntary termination, Wave Wireless is obligated to pay him severance equal to the higher of his base salary on the date of the agreement, or his base salary on the date of his involuntary termination, which amount is obligated to be paid in a series of successive biweekly installments over the twelve month period measured from the date of his involuntary termination. At the time of his involuntary termination, each unvested option granted to Mr. Rumsey shall continue to vest, and such options plus options already vested but unexercised as of the date of his involuntary termination shall continue to be exercisable in accordance with the 1995 Stock Option/Stock Issuance Plan from the date of involuntary termination to the first anniversary date thereof. For purposes of the agreement, an involuntary termination shall mean the termination of his employment with Stock Option/Stock Issuance (i) involuntarily upon his discharge or dismissal; or (ii) voluntarily following his resignation following (a) a change in level of management to which he reports, (b) a decrease or material change in his responsibilities, or (c) a reduction in his base salary. Mr. Rumsey's agreement with Wave Wireless was amended on July 13, 2005. Under the terms of the amendment, Mr. Rumsey's base salary was reduced to $190,000 ("Interim Salary") from $240,000 ("Base Salary"), until such time as Wave Wireless either achieves positive earnings before income taxes, depreciation and amortization, or the board of directors restores his Interim Salary to the Base Salary. In the event of an involuntary termination under the existing agreement, Wave Wireless is obligated to pay Mr. Rumsey the difference between his Interim Salary and his Base Salary.

Wave Wireless entered into an agreement with Dr. Carlos Belfiore, its Vice President of Engineering and Chief Technical Officer, on October 20, 2003. Under the terms of the agreement, Dr. Belfiore is paid a base salary of $138,000 per year. Dr. Belfiore was also paid a cash bonus equal to 30% of his base salary on January 15, 2005. The agreement also provided for the grant of an option to purchase 91,666 shares of common stock of Wave Wireless, which amount was reduced to 80,000 due to limitations in the 1995 Stock Option/Stock Issuance Plan. Wave Wireless granted Dr. Belfiore a warrant to purchase 11,666 shares of common stock, thereby making up the difference between the 91,666 shares granted by the board of directors, and the 80,000 actually issued under the 1995 Stock Option/Stock Issuance Plan. In the event Dr. Belfiore's employment is terminated at any time without cause, Wave Wireless is obligated to pay Dr. Belfiore his salary for six months following such termination, and all options previously granted to Dr. Belfiore continue to vest in accordance with their terms and conditions for a period of two years following the date of such termination. Following a change in control of Wave Wireless, Wave Wireless is obligated to pay Dr. Belfiore his base salary for a period of one year, and his options shall automatically accelerate so that each option becomes fully vested and immediately exercisable for the total number of shares subject to the option. A change in control will be deemed to occur under the agreements upon: (a) a merger or consolidation in which Wave Wireless is not the surviving entity; (b) the sale, transfer or other disposition of all or substantially all of the assets of Wave Wireless in complete liquidation or dissolution of Wave Wireless; (c) a reverse merger in which Wave Wireless is the surviving entity but in which securities representing fifty percent (50%) or more of the total combined voting power of Wave Wireless' outstanding securities are transferred to persons different from the persons holding those securities immediately prior to such merger; and the acquisition, directly or indirectly by any person or related group of persons of beneficial ownership of securities possessing more than thirty percent (30%) of Wave Wireless' outstanding voting securities pursuant to a tender or exchange offer made directly to Wave Wireless stockholders.

In the event that Mr. Meiners is terminated within twelve months of a change in control, Wave Wireless is obligated to pay his salary for a period of one year following such termination and all options granted shall automatically accelerate so that each option will become fully vested and immediately exercisable for the total number of shares of Wave Wireless common stock subject to those options ("Severance Benefits"). For purposes of the agreement, a Change of Control shall mean any of the following transactions effecting a change in ownership or control of Wave Wireless: (a) a merger or consolidation in which Wave Wireless is not the surviving entity; (b) the sale, transfer or other disposition of all or substantially all of the assets of Wave Wireless in complete liquidation or dissolution of Wave Wireless; (c) any reverse merger in which Wave Wireless is the surviving entity but in which securities representing

50% or more of the total combined voting power of Wave Wireless’ outstanding securities are transferred to a person(s) different from the person(s) holding those securities immediately prior to such merger; or (d) the acquisition, directly or indirectly by a person or related group of persons of beneficial ownership of securities possessing more than 30% of the total combined voting power of Wave Wireless’ outstanding securities pursuant to a tender or exchange offer made directly to Wave Wireless’ stockholders.

Mr. Meiners shall be entitled to receive his Severance Benefits if, at any time within twelve months of a Change of Control: (a) his level of responsibility at Wave Wireless is materially reduced; (b) his place of employment is moved to a location that is more than 50 miles from his place of employment immediately prior to a Change in Control; or (c) his salary or bonus plan is reduced without his prior written consent. Effective March 10, 2005, Mr. Meiners annual salary was increased to $150,000.

Effect of Merger on Existing Agreements.

As a result of the merger, Mr. Rumsey's employment with Wave Wireless will be terminated, resulting in the payment of $50,000 in deferred compensation to him. Although Mr. Rumsey is entitled to one-year's severance and other benefits under the terms of his agreement, he has agreed to accept one-half of his severance payable over one year, in addition to the payment of health benefits, and has agreed to provide certain legal and other consulting services to Wave Wireless after consummation of the merger as additional consideration for the severance payments. Mr. Rumsey will continue to serve on the board of directors of Wave Wireless after the merger.

It is currently anticipated that Wave Wireless will not be obligated to pay any other severance obligations to executive officers of Wave Wireless as a result of the merger.

See also the description of the employment agreements and other arrangements entered into between WaveRider and certain of its executive officers in the section entitled "The Merger—Interests of WaveRider Directors and Executive Officers in the Merger" on page 39 of this proxy/statement prospectus.

WAVE WIRELESS' BUSINESS

Summary

Wave Wireless develops, manufactures and distributes next generation wireless mesh routers for the telecommunications, security and surveillance and public safety markets. Wave Wireless' mesh, point-to-point and point-to-multipoint broadband wireless access systems combine high performance, versatility and AES encryption to deliver a broad range of powerful applications and turnkey solutions ideally suited for internet service providers, educational institutions, corporate enterprises and government agencies. Wave Wireless' wireless access systems are sold globally through its own sales force, as well as through strategic partners, distributors, systems integrators, and value added resellers. Wave Wireless also is focused on supporting its global customer base in connection with its repair and maintenance business ("RMA Business").

Wave Wireless originally acquired the Wave Wireless networking product line ("SPEEDLAN") from SPEEDCOM Wireless Corporation in December 2003 as a means to complement its legacy business focused on licensed wireless backhaul products, and to gain entry into the rapidly growing market for enterprise-class license-exempt wireless solutions. In April 2005, Wave Wireless announced a formal restructuring plan designed to dramatically reduce costs, refocus its strategic direction, and ultimately achieve profitability ("Restructuring Plan"). Key elements of the Restructuring Plan involved both (i) divesting Wave Wireless' legacy product lines for the licensed market that were expected to result in continued substantial operating losses, and (ii) refocusing Wave Wireless' product strategy around its SPEEDLAN product line and the market for robust license-exempt and licensed public safety band wireless applications. Wave Wireless will also continue to provide repair and maintenance ("RMA") support services to its installed base of legacy products for the licensed wireless backhaul market.

In connection with the Restructuring Plan, Wave Wireless changed its corporate name from "P-Com, Inc." to "Wave Wireless Corporation" on August 22, 2005, and on August 12, 2005, Wave Wireless effected a recapitalization whereby all outstanding shares of its Series C Preferred Stock were automatically converted into shares of its Series G Preferred Stock and common stock. Both the name change and the recapitalization were approved at Wave Wireless'

2005 Annual Meeting of Stockholders, which was held on August 12, 2005.

Wave Wireless was formed in 1991, and its executive offices are located at 1996 Lundy Avenue, San Jose, California 95131, and its telephone number is (408) 943-4200.

Information About Wave Wireless' Products

Wave Wireless' products consist of license exempt, next generation wireless mesh routers and other licensed and unlicensed point-to-point, spread spectrum and point-to-multipoint radio systems for carriers, systems integrators and value added resellers. Wave Wireless also provides RMA and other services to its licensed and other customers worldwide.

The contribution of each product line to total sales was as follows:

	Year Ended December 31,		
Product Line	2004	2003	2002
Point-to-Point (Licensed)	79%	79%	71%
Spread Spectrum (Unlicensed)	21%	19%	21%
Point-to-Multipoint (Licensed)	—	2%	8%
Total	100%	100%	100%

As a result of the Restructuring Plan, a substantial portion of Wave Wireless' sales in subsequent periods are anticipated to come from the sale of refurbished point-to-point radios in connection with Wave Wireless' RMA Business and from the sale of unlicensed spread spectrum radios.

Information About Our Geographic Segments

Wave Wireless' sales by geographic region for each year ended December 31, 2004 are as follows (in thousands):

Sales	2004		2004		2003		2002
North America	11%	$	2,579	$	3,042	$	2,949
United Kingdom	23%		5,583		6,349		5,894
Continental Europe	21%		5,178		3,693		4,487
Asia	14%		3,386		5,831		15,018
Other	31%		7,449		1,926		1,338
	100%	$	24,175	$	20,841	$	29,686

Narrative Description of Wave Wireless' Business

Wave Wireless currently develops, manufactures and markets licensed exempt, next generation wireless mesh routers and other licensed and unlicensed point-to-point, spread spectrum and point-to-multipoint radio systems to carriers, systems integrators and value added resellers. Wave Wireless also provides repair, maintenance and other services to its licensed and other customers worldwide. Wave Wireless' systems enable Internet service providers, enterprises and governmental organizations to deliver high-speed video, data, and voice transmissions across a broad range of applications, including safety and surveillance. Cellular and personal communications service providers have employed Wave Wireless' point-to-point systems to transmit data between remote tower sites and switching centers. Network service providers and Internet service providers are able, through the deployment of Wave Wireless' equipment and systems, to respond to the demands for high-speed wireless access services, such as Internet access associated with business-to-business and e-commerce business processes. Systems integrators have utilized Wave Wireless' products for various security and surveillance applications, including fixed and mobile video surveillance for public safety organizations, such as the Chicago Police Department.

Industry Background

Growth of the Internet and Internet Protocol applications including security, surveillance, video, IP telephony and Voice over IP (VoIP) are driving access and bandwidth demand. End users such as cellular providers, consumers, universities, businesses, state and local governments and other enterprise customers can transport data using wireline (cable, fiber, DSL) or wireless (microwave, spread spectrum) protocols. Global deregulation and privatization of telecommunications markets and increased demand for broadband wireless access to the Internet, and local and storage area networks have spurred competition to supply wireless-based systems as a cost-effective alternative to traditional wireline service delivery systems. Broadband wireless systems are competitive due to the relatively short set up and deployment time, high return on capital investment, scalability, portability and ability to connect customers quickly once the transmission hardware and software infrastructure are in place. Moreover, network operators can mitigate the risk of “stranded capital costs” inherent in wireline hardware.

In addition to the above considerations, wired networks often fall short of supplying cost effective, reliable “last mile” connectivity to the end user. To overcome such limitations in a quick and efficient manner, wireless solutions are increasingly being adopted and integrated with wired solutions. Furthermore, in many parts of the world, telecommunications services are inadequate, unreliable or non-existent due to the lack of existing wired infrastructure. Additionally, many such countries have privatized the state-owned telecommunications monopoly and opened their markets to competitive network service providers. Competitive service providers in such markets often find deployment of wireless broadband the quickest, most economical and scalable means of providing reliable, modern telecommunications services.

Most wireless networks use RF (radio frequency) spectrum to provide network access for data, voice and video applications. RF based wireless broadband networks are designed to run on radio frequencies that do not require a license (typically 2.4 GHz and 5.8 GHz) or the “public bands,” as well as frequencies that require the carrier to own a license (typically microwave and up to 38 GHz or the 4.9 GHz public safety band). For a communications service provider to use licensed spectrum, they have to own the licenses required to operate these systems. Historically, Wave Wireless’ business was focused on the sale of licensed products to large carriers and system integrators. With the implementation of the restructuring plan, Wave Wireless is now focused on the market for license exempt product solutions that enable corporate enterprises, educational institutions, government agencies and municipalities, and wireless internet service providers to rapidly and cost effectively deliver high-speed data, voice and video connectivity to their customers and subscribers. Wave Wireless is also focused on the emerging Homeland Security market, as a result of the November 2005 introduction of the SPEEDLAN 9200 operating in the 4.9 GHz public safety band.

Broadband Wireless Implementation

Global deregulation of telecommunications markets and the related allocation of radio frequencies for broadband wireless access transmission has spurred competition to supply wireless-based systems as a cost-effective alternative to traditional wireline service delivery systems. Broadband wireless systems are competitive due to the relatively short set-up and deployment time, high return on capital investment, and ability to connect customers quickly once the transmission hardware and software infrastructure are in place. Moreover, network operators can mitigate the risk of “stranded capital costs” inherent in wireline hardware. Such systems do not scale as well as the wireless alternatives as users’ needs expand or change over time.

End users who need to transport information from one location to another have a choice of wired or wireless solutions. Wired solutions typically take the form of lines that are leased from telephone companies. The associated lease payments tend to be less attractive than the cost of ownership of a wireless digital microwave system. Wireless transmission of voice, data and video traffic has become a desirable alternative to wired solutions due to its advantages in cost, speed of deployment, reliability, range, and ease of installation Extended range license exempt wireless broadband systems allow telecommunications providers to establish an alternative network that they can control to enable them to offer superior connectivity.

Global Privatization and Deregulation: Stimuli to Broadband Wireless Access Growth

In many parts of the world, telecommunications services are inadequate, unreliable or non-existent due to the lack of existing infrastructure. Additionally, many such countries have privatized the state-owned telecommunications monopoly and have opened their markets to competitive network service providers. Wave Wireless believes competitive service providers in such markets often find deployment of wireless broadband the quickest, most economical and scalable means of providing reliable, modern telecommunications services.

Network Architecture Bottlenecks

Fiber optic networks have received much attention because of the speed and quality associated with the technology. Increasingly, network service providers are constructing fiber optic interoffice backbones to meet the significant demand created by Internet and data, video conferencing, and voice services. To satisfy the growing user demand for high-speed access, the fiber optic channels would (if not supplemented by other systems) have to extend all the way into the buildings in which the users reside. The fiber optic channel usually ends short of the building, at the beginning of the "last mile." Thus, users are often forced to use slower dial-up modem connections and ISDN (Integrated Services Digital Network) services, or ADSL (Asymmetrical Digital Subscriber Line) service, with its inherent distance limitations. This local access "bottleneck" denies users the real benefits afforded by fiber optic backbones because the highest speed that users can experience is limited by the local access portion of their end-to-end connection. To overcome such limitations in a quick and efficient manner, Wave Wireless believes a broadband wireless solution is attractive to incumbent and competitive carriers alike because the local access speed restrictions are eliminated with broadband wireless equipment.

The Wave Wireless Strategy

Wave Wireless' current strategy is to be a leading worldwide supplier of high-performance license-exempt wireless access equipment in point to point, point to multipoint and self-healing mesh topologies. In addition, Wave Wireless intends to continue its focus on the security and surveillance market by offering advanced encryption, multi-band, wireless networking solutions, serving both license-exempt and licensed users accessing the 4.9 GHz public safety band. To accomplish these objectives, Wave Wireless intends to:

- Focus on point-to-point licensed and spread spectrum point-to-point and point-to-multipoint microwave markets. Wave Wireless designs products specifically for the spread spectrum (unlicensed band) microwave frequency bands, and licensed public safety bands. Wave Wireless has designed its core architecture to optimize the systems for operation at microwave frequencies.

- Focus on the safety and surveillance markets. Wave Wireless currently has systems deployed in public safety, and security and surveillance applications. Wave Wireless intends to market the benefits of its microwave systems, as well as the success of current installations, to drive additional demand for its wireless access equipment.

- Continue expansion of Wave Wireless' identified global market opportunities. Wave Wireless maintains international sales and/or support offices in Italy, Brazil, Mexico, Singapore and the United Kingdom. Wave Wireless intends to continue its focus on the international market where it believes substantial demand exists for its products.

- Build and sustain manufacturing cost advantage. Wave Wireless designs its system architecture to reduce the number of components incorporated into each system, thereby allowing for the use of common components and "building blocks" across the range of Wave Wireless' products. This approach reduces Wave Wireless' manufacturing costs enabling it to take advantage of volume purchases and a standardized manufacturing process.

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Outsource manufacturing to reduce costs. Beginning in January 2004, Wave Wireless outsourced the manufacture of the SPEEDLAN product to a contract manufacturer. Wave Wireless also entered into an arrangement to outsource manufacturing of its point-to-point products. Utilization of turnkey contract manufacturers eliminates expensive in-house manufacturing assembly, and provides Wave Wireless with the ability to scale up or down as market conditions dictate.

- Position Wave Wireless' products for the anticipated convergence of carrier class and unlicensed technology. Wave Wireless believes that its technology and experience in both the licensed and unlicensed markets will allow it to rapidly develop network solutions for the anticipated convergence of carrier grade and unlicensed technology.

- Leverage and maintain software leadership. Wave Wireless differentiates its systems through proprietary software. This software is designed to allow Wave Wireless to deliver to its customers a high level of functionality that can be easily reconfigured by the customer to meet changing needs. Software tools are also used to facilitate network management.

Wave Wireless also intends to continue the sale of refurbished licensed products in connection with its RMA Business.

Products & Services

License Exempt Products. Wave Wireless intends to focus on the large growth opportunity in the license exempt and licensed public safety band markets, as it believes its leading edge SPEEDLAN family of products is uniquely positioned to capture market share. The current SPEEDLAN product line enables service providers, enterprises and government agencies to deliver high-speed data, voice and video connectivity enabling a broad range of applications. The SPEEDLAN product line, which currently consists of the SPEEDLAN 9100 and 9200 series, are high performance wireless routers that provide wireless connectivity for local area networks utilizing mesh, point-to-point and point-to-multipoint topologies. Introduced in 2002, SPEEDLAN 9100 was the very first mesh product to market. The mesh topology creates networks that use multi-hop connections to transmit IP packets between the initiation and termination points. The ability to use different paths between any two points, based on the detected conditions, allows path redundancy and, in essence, a self-healing wireless network.

- *SPEEDLAN 9100*. The SPEEDLAN 9100 series of broadband wireless routers offers flexibility in meeting the challenges of designing, building, and managing today's fixed wireless networks. By allowing the user to choose between star, mesh, or a point-to-point deployment, the SPEEDLAN 9100 provides a platform that can grow and easily be re-deployed as the customers needs change. The SPEEDLAN 9100 utilizes 802.11 standards to communicate at 11 Mbps per second in the 2.4 GHz band.

- *SPEEDLAN 9200*. The SPEEDLAN 9200, released in September 2004, combines high performance, a broad feature set and multiple operating frequencies to provide a flexible, scalable and robust solution. The SPEEDLAN 9200 is designed for outdoor environments such as outdoor wireless LANs, metropolitan wireless infrastructures, or security and surveillance solutions. Based on a self-healing mesh network architecture, the 9200 provides 54 Mbps throughput at either 2.4 GHz, 5.8 GHz or 4.9 GHz and supports the latest 802.11a/g-based standards and remote access by laptop and PDA users. The 9200 utilizes OFDM non-line-of-sight technology and provides for secure network performance through 128-bit AES encryption technology. These features make the 9200 ideally suited for the current and emerging IP-based applications, and particularly attractive for video applications.

- *SPEEDLAN 9300 (Under Development)*. The SPEEDLAN 9300, currently under development, is a higher capacity, scalable unit, featuring several internal radio modules based on state-of-the-art 802.11x technology. The product can be configured as a node in a multiple-radio channel mesh backbone and/or a combination of mesh node plus standard access points, thus providing the flexibility needed to address challenging customer network requirements in difficult environments. This multiple radio feature, a new improved mesh protocol, and the use of a powerful network processor with hardware acceleration engines that can perform packet classification, bring the SPEEDLAN 9300 to a new level of performance.

The SPEEDLAN 9100, 9200 and 9300 series are all outdoor units designed for the most severe environmental conditions. Target markets for the SPEEDLAN family of products include security, surveillance, wireless ISPs and other private networks for a myriad of IP-based applications.

Repair and Maintenance ("RMA") Business. As a result of the Restructuring Plan, a substantial portion of Wave Wireless's revenue is derived from the RMA Business. The RMA Business results from the repair and maintenance of a single legacy product line, Tel-Link, which was the first product introduced by Wave Wireless in 1992. The Tel-Link radio was very successful, shipping over 150,000 radios during the life of the product line, which continued until 2005. While these radios have proved to be very reliable over the years, they often require repair due to standard wear and tear and degradation of performance. Because Wave Wireless maintains a buffer stock of repaired, fully tested refurbished Tel-Link radios, it is uniquely positioned to provide unmatched service to its network customers.

Wave Wireless's RMA customers consist of operators of large networks, as well as a number of smaller network operators and system integrators geographically dispersed throughout the world, Wave Wireless' top three customers accounted for approximately 95% of all revenue attributable to the RMA Business during the fiscal year ended December 31, 2004. It is currently anticipated that Wave Wireless' RMA Business will decline over time as its customers replace existing Tel-Link radios with new radios rather than send them to Wave Wireless for repair and maintenance.

Most failed radios are shipped to Wave Wireless' intake facility in Reddich, England, which Wave Wireless maintains to satisfy the requirements of many of its European customers. All indoor units ("IDUs") are sent to Wave Wireless' facility in San Jose, California, while all outdoor units ("ODUs") are sent to Tortona, Italy, where they are refurbished under a Repair Service Agreement with Nuove Officine Radio Tortona s.r.l. The Repair Service Agreement expires in June 2007. Refurbished ODUs and IDUs are then returned to the Reddich facility for shipment back to the customers.

Technology

Wave Wireless' technological approach to digital microwave radio systems is different from conventional approaches. Through the use of proprietary designs, Wave Wireless can quickly produce highly integrated, feature-rich systems. The results of these integrated designs are reliability, ability to customize customer specific designs and continuing ability to be cost competitive, particularly in the current market.

Wave Wireless' products are optimized for streamlined components, immunity to noise and interference, ease of high-volume manufacturing and installation. Yet, Wave Wireless' radios contain superior features. Equally important, because critical components and building blocks perform common functions across different product lines, Wave Wireless' philosophy is to design sections of each radio in a way that enables the designs to be reused with little or no modification in a different product line.

Wave Wireless' point-to-point and certain of its spread spectrum microwave radios consist of three primary assemblies: the IDU, the ODU and the antenna. The IDU houses the digital signal processing and interfaces to the ODU via a single coaxial cable. The ODU, a radio frequency drum or enclosure, which is installed outdoors, establishes the specific frequencies for transmitting and receiving data. The antenna interfaces directly with the ODU via proprietary technology. Wave Wireless' SPEEDLAN product family consists of an ODU only.

Software embedded in Wave Wireless' systems allows the user to easily configure and adjust system settings such as frequency, power, and capacity without manual tuning and mechanical adjustments. Software provided with Wave Wireless' systems includes PC-based sophisticated diagnostics, maintenance, network management, and system configuration tools.

Competing systems also employ the ODU/IDU concept but Wave Wireless' products are differentiated by how Wave Wireless implements the components within the IDU and ODU. By moving many frequency-sensitive components to the ODU, the user is afforded improved reliability, lower cost and easier interchangeability.

Wave Wireless believes that its spread spectrum products are industry leaders, especially with its latest product release in November 2005 of the SPEEDLAN 9200 operating in the 4.9 GHz public safety band. This product delivers 54 Mbps per second signaling rate at 4.9 GHz utilizing mesh networking, non-line of site OFDM modulation, and mobility.

Manufacturing and Testing

Wave Wireless' San Jose, California facility received its initial ISO 9001 registration in December 1993, and maintains a current certification. Wave Wireless' ISO 9001 registration for the United Kingdom sales and customer support facility was received in 1996 and has current certifications. On December 15, 2003, Wave Wireless successfully upgraded to ISO 9001:2000. Once a system reaches commercial status, Wave Wireless outsources manufacturing to one or more of several turnkey fabricators available to Wave Wireless to build radio system units in commercial quantities. Utilization of such fabricators relieves Wave Wireless of expensive investments in manufacturing facilities, equipment, and parts inventories. This strategy enables Wave Wireless to quickly scale to meet varying customer demands and changes in technology.

Sales Channels and Wave Wireless' Customers

Wave Wireless' sales and marketing efforts are directed from its corporate offices in San Jose, California. In the United States, Wave Wireless maintains sales support through offices located in Florida, California, Washington D.C. and Oregon. Wave Wireless plans to add additional sales support in the Midwest region. Outside the United States, Wave Wireless maintains sales operations and customer support facilities in the United Kingdom that serves the European market, Singapore for the Asian market, and Mexico for the Latin American market. Internationally, Wave Wireless uses a variety of sales channels, including system integrators, original equipment manufacturers, dealers, and local agents with full service local capabilities, ranging from marketing and sales, to systems design, installation, and maintenance. Wave Wireless also sells directly to select customers, while avoiding conflict with its authorized local distribution channels. Wave Wireless has established agent relationships in numerous other countries in the Asia/Pacific region, the Middle East, Latin America, and Europe, and continues to add to its growing network of resellers and agents.

Typically, Wave Wireless' sales process commences with the solicitation of bids by prospective customers. If selected to proceed further, Wave Wireless may provide systems for incorporation into system trials, or Wave Wireless may proceed directly to contract negotiations. Wave Wireless can not record revenue until system trials are successfully completed, and Wave Wireless then negotiates a contract with the customer to set technical and commercial terms of sale. These terms of sale govern the purchase orders issued by the customer as the network is deployed and/or enhanced.

Due to the complexity of Wave Wireless' radio systems, a high level of technical sophistication is required on the part of its sales and marketing personnel. In addition, Wave Wireless believes that post-sale customer service programs are fundamental to customer satisfaction and the potential for follow-on business. New customers are provided engineering assistance for installation of the initial units as well as varying degrees of field training depending upon the customer's technical aptitude. Wave Wireless' customer service efforts are supplemented by its system providers.

For the years ended December 31, 2005, 2004, and 2003, Wave Wireless' significant customers, and their respective percent contribution to its sales are as follows:

Customer	2005	2004	2003
MynTahl Corporation	—	—	13%
Orange Personal Communications System	27%	13%	18%
Vodafone (Mannesmann)	5%	15%	13%
Aces	10%	1%	1%
T-Mobile	10%	12%	12%
TelCel	12%	25%	7%
Total	64%	66%	64%

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During 2004, sales to TelCel and Vodafone accounted for 25% and 15% of Wave Wireless' total sales, respectively. Sales to TelCel have substantially decreased due to management's decision to discontinue sales of its licensed radio systems in connection with the Restructuring Plan. Sales to a relatively small number of customers, particularly in connection with its RMA Business, will continue to account for a high percentage of its sales in the foreseeable future. Although the composition of Wave Wireless' largest customer group may vary from period to period, the loss of a significant customer or a major reduction in orders by any significant customer, through reductions due to market, economic or competitive conditions in the telecommunications industry, may adversely affect Wave Wireless' business, financial condition, and results of operations. Wave Wireless' ability to maintain or increase its sales in the future will depend, in part, upon its ability to obtain orders from new customers as well as the financial condition and success of its customers, and the economy in general.

Research and Development

As part of the restructuring plan, Wave Wireless divested its interest in P-Com Italia, which manufactured certain product components for Wave Wireless, and provided it with select research and development services. Wave Wireless ceased further development of new licensed spectrum products but plans to continue research and development on its license exempt products from its San Jose, California facility. Wave Wireless expects to continue to invest in research and development to maintain superior features for the SPEEDLAN family of products. Wave Wireless invested approximately $5.0 million, $6.1 million, and $12.7 million in 2004, 2003 and 2002, respectively, in total research and development efforts, including amortization and depreciation. As a result of the Restructuring Plan announced in April 2005, Wave Wireless anticipates investing approximately $600,000 per quarter in research and development efforts, focused principally on the SPEEDLAN product line.

Wave Wireless's research and development efforts can be classified into two distinct efforts: (1) increasing the functionality of its point-to-point, point-to-multipoint and mesh radio systems through a) the development of additional frequencies and product capacities, and b) the enhancement of its network management system software offering, and (2) integrating new functionality to extend the reach of its products into customer networks, such as access technology which allows the customer to manage telecommunications services on-site and integrate voice, data, video and facsimile in one offering. Wave Wireless also intends to develop additional SPEEDLAN products with smaller size, greater functionality and greater ease of use for new markets, including developing a line of next generation fixed wireless broadband products based on the 802.11a/g and/or 802.16 standards.

Competition

The worldwide wireless communications market is extremely competitive. Wave Wireless' wireless radio systems compete with other wireless telecommunications products and alternative telecommunications transmission media, including copper and fiber optic cable. The Company has experienced competition worldwide from a number of leading telecommunications companies that offer a variety of competitive products and services, including Alcatel Network Systems, Alvarion, Ceragon, AirSpan, Motorola, Cisco Systems, Stratex, and Terabeam Wireless. Many of these companies have substantially greater installed bases, financial resources and production, marketing, manufacturing, engineering and other capabilities than Wave Wireless.

In addition, numerous start-ups continue to enter the marketplace with competing products. The principal elements of competition in Wave Wireless' market, and the basis upon which customers typically select the Wave Wireless' systems, include price, performance, software functionality, ability to meet quick delivery requirements, and customer service and support capabilities. Wave Wireless expects its competitors to continue to improve the performance and lower the price of their current products and to introduce new products or new technologies that provide added functionality and other features. New product introductions and enhancements by Wave Wireless' competitors has caused a significant decline in its sales or loss of market acceptance of its systems, and in certain cases, has made its systems or technologies obsolete or noncompetitive. Wave Wireless has experienced significant price competition and expects price competition to intensify as a result of new entrants into the market. This has adversely affected Wave Wireless' business, financial condition and results of operations. Wave Wireless believes that its ability to continue to compete successfully is based on factors both within and outside of its control. Timing of new product line introductions, performance characteristics of Wave Wireless' equipment and the ability of its customers to be successful all play key roles. In order to remain competitive, Wave Wireless will be required to continue to expend significant resources on new product development, cost reduction and enhancements.

Government Regulation

Radio telecommunications are subject to extensive regulation by the United States and foreign governmental agencies and international treaties. Wave Wireless' products must conform to a variety of domestic and international requirements established to, among other things, avoid interference among users of radio frequencies and to permit interconnection of equipment. Each country has a different regulatory process. Historically, in many developed countries, the limited availability of frequency spectra has inhibited growth of wireless telecommunications networks.

In order for Wave Wireless to operate within a specific country's jurisdiction, it must obtain regulatory approval for its systems and comply with different regulations in each jurisdiction. Regulatory bodies worldwide continue to adopt new standards for wireless telecommunications products. The delays inherent in this governmental approval process may cause the cancellation, postponement or rescheduling of the installation of communications systems, which in turn may have prevented or delayed the recognition of the sale of Wave Wireless' systems.

The failure to comply with current or future regulations or changes in the interpretation of existing regulations could result in suspension or cessation of operations in that particular jurisdiction. These regulations and changes could require Wave Wireless to modify its products and incur substantial costs and delays to comply with these time-consuming regulations and changes. In addition, Wave Wireless is also affected by the regulation, allocation and auction of radio frequency spectrum by domestic and international authorities. Equipment to support new services can be marketed only if permitted by suitable frequency allocations, auctions and regulations, and the process of establishing new regulations is complex and lengthy. If personal communications service operators and others are delayed in deploying their systems, Wave Wireless could experience delays in orders for Wave Wireless' products. Failure by the regulatory authorities to allocate suitable frequency spectrum could adversely affect its business, financial condition and results of operations.

The regulatory environment in which Wave Wireless operates is subject to significant change. Regulatory changes, which are affected by political, economic and technical factors, could significantly impact its operations by restricting the development efforts of its customers, making current systems obsolete or increasing the opportunity for additional competition. Any of these regulatory changes, including changes in the allocation of available spectrum, could adversely affect Wave Wireless' business and results of operations. Wave Wireless might modify its systems in order to operate in compliance with applicable regulations. These modifications could be costly and time consuming to implement.

Intellectual Property

Wave Wireless generally owns its intellectual property, except for its existing patents, which were sold to a third party in November 2005. In connection with this sale, Wave Wireless retained a non-exclusive, perpetual, royalty free right and license to use the patents in connection with its millimeter wave radio licensed products.

Wave Wireless relies on its ability to obtain and enforce its intellectual property rights, including patents and copyrights on its proprietary software. Wave Wireless generally enters into confidentiality and nondisclosure agreements with service providers, customers and others, and limits access to and distribution of its proprietary technology. Wave Wireless also enters into software license agreements with its customers and others. However, these measures may not provide adequate protection for Wave Wireless' trade secrets and other proprietary information. Disputes over the ownership of Wave Wireless' intellectual property rights may still arise and its trade secrets and proprietary technology may otherwise become known or be independently developed by competitors. Any patent Wave Wireless owns or licenses may be invalidated, circumvented or challenged, the rights granted thereunder may not provide competitive advantages or any of its pending or future patent applications may not be issued with the scope of the claims sought, if at all. Furthermore, others may develop similar products or software, duplicate Wave Wireless' products or software, or third parties may assert intellectual property infringement claims against it. In addition, foreign intellectual property laws may not adequately protect Wave Wireless' intellectual property rights abroad. Failure to protect Wave Wireless' proprietary rights could adversely affect its business, financial condition, and results of operations.

Litigation may be necessary to enforce Wave Wireless' intellectual property rights, to protect its trade secrets, to determine the validity of and scope of the proprietary rights of others or to defend against claims of infringement or invalidity. This litigation could result in substantial costs and diversion of resources and could adversely affect Wave Wireless' business, financial condition and results of operations regardless of the outcome of the litigation. Infringement, invalidity, right to use or ownership claims by third parties or claims for indemnification resulting from infringement claims may be asserted in the future and these assertions may adversely affect Wave Wireless' business, financial condition, and results of operations. If any claims or actions are asserted against Wave Wireless, it may seek to obtain a license under a third party's intellectual property rights. However, a license may not be available under reasonable terms or at all. In addition, if Wave Wireless decides to litigate these claims, the litigation could be extremely expensive and time consuming and could adversely affect Wave Wireless' business, financial condition and results of operations, regardless of the outcome of the litigation.

Employees

As of December 31, 2005, Wave Wireless employed a total of 47 employees, including 18 in Operations, seven in Research and Development, 15 in Sales and Marketing and seven in Administration. Wave Wireless believes that future success will depend in large part on its ability to attract and retain highly skilled employees. No employees are represented by a labor union, and Wave Wireless has not experienced any work stoppages.

Properties

Location of Leased Facility	Functions	Square Footage	Date Lease Expires
Headquarters, San Jose, CA	Administration/Customer		
	Support/Sales/Engineering;		
	Manufacturing	19,219	June 30, 2010
Redditch, England	Warehouse/Operations	6,700	September 28, 2009
Sarasota, FL	Sales/Customer Support	1,200	July 31, 2006

Wave Wireless does not own any real property.

Legal Proceedings

On June 20, 2003, Agilent Financial Services, Inc. ("Agilent") filed a complaint against Wave Wireless for Breach of Lease, Claim and Delivery and Account Stated, in Superior Court of the State of California, County of Santa Clara. The amount claimed is approximately $2.5 million, and represents accelerated amounts due under the terms of capitalized equipment leases of Wave Wireless. On June 27, 2003, the parties filed a Stipulation for Entry of Judgment and Proposed Order of Dismissal of Action With Prejudice. Under the terms of the Stipulation, Wave Wireless paid Agilent $50,000 on July 15, 2003 and $100,000 on September 1, 2003, and paid $50,000 per month though November 2004. On November 30, 2004, Agilent entered into an agreement with us to restructure the $1,725,000 due Agilent on December 31, 2004. Under the terms of the agreement, we paid Agilent an initial payment of $250,000 on December 1, 2004; and paid monthly payments of $92,187 though March 2005. Also, we issued Agilent a warrant to purchase 178,571 shares of our common stock. The warrant has an initial exercise price of $0.56 and a term of five years. On March 31, 2005, Wave Wireless and Agilent entered into a further agreement whereby one half of the remaining debt of $1,111,599 would be paid in equal payments over 18 months beginning April 1, 2005, with the other half being paid in the form of senior preferred stock convertible at any time at the option of the holder into common stock at a price of $.50 per share. As a result of the Stipulation, judgment under the Complaint will not be entered unless and until Wave Wireless defaults under the terms of the Stipulation, as amended to reflect the agreements described above. In the event Wave Wireless satisfies each of its payment obligations under the terms of the Stipulation, the Complaint will be dismissed, with prejudice.

In June 2000, two former consultants to P-Com Italia S.p.A. filed a complaint against P-Com Italia in the Civil Court of Rome, Italy seeking payment of certain consulting fees allegedly due the consultants totaling approximately $615,000. The Civil Court of Rome appointed a technical consultant in order to determine the merit of certain claims made by the consultants. On April 20, 2005, the Civil Court of Rome issued judgment dismissing the case, and ordered the consultants to pay P-Com Italia's legal fees. The Court's order has been appealed by the consultants to the Court of Appeal of Rome. While no assurances can be given, Wave Wireless believes that the Court of Appeal of Rome will dismiss the Appeal.

On September 16, 2005, Wave Wireless was served with a Complaint filed by Lakewood Ranch Properties, Inc. (the "Landlord") for failure to pay one month's rent due under the terms of a Sublease Agreement dated January 3, 2005, by and between the Landlord and Wave Wireless (the "Sublease"), in the amount of $26,771.43. The Complaint seeks eviction of the Registrant from its facility in Sarasota, Florida, and damages in the amount of $28,110.00. Landlord also alleges that Registrant is liable under the Sublease for accelerated future monthly rent through September 30, 2016. The total amount of the Complaint filed was $3,533,828.70. On October 17, 2005, both parties entered into a Lease Termination Agreement and Lakewood Ranch has agreed to dismiss the Complaint filed in the amount of $3,533,828.70, after payments totaling $310,000 are made. As of December 31, 2005, the amount remaining to be paid is $240,000. On January 30, 2006, Wave Wireless and the Landlord entered into an Amendment to Addendum of Termination Agreement (“Amendment”). Under the term of the Amendment, Wave Wireless paid $30,000 to Landlord on February 1, 2006, and is required to pay $30,000 to Landlord or before February 28, 2006, and $180,000 on or before March 31, 2006. Wave Wireless intends to seek financing to make the required payments. No assurances can be given that Wave Wireless will be able to obtain the necessary financing to make the remaining required payments.

In the event Wave Wireless is unable to satisfactorily resolve these and other proceedings that might arise, its financial position and results of operations may be materially affected.

WAVE WIRELESS MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Wave Wireless’ discussion and analysis of financial condition and results of operations contains forward-looking statements, which involve risks and uncertainties. Wave Wireless’ actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth in the section entitled “Risk Factors” beginning on page 17 of this proxy statement/prospectus.

Overview

Wave Wireless develops, manufactures and distributes next generation wireless mesh routers for the telecommunications, security and surveillance and public safety markets. Wave Wireless’ mesh, point-to-point and point-to-multipoint broadband wireless access systems combine high performance, versatility and AES encryption to deliver a broad range of powerful applications and turnkey solutions ideally suited for internet service providers, educational institutions, corporate enterprises and government agencies. Wave Wireless’ wireless access systems are sold globally through its own sales force, as well as through strategic partners, distributors, systems integrators, and value added resellers. Wave Wireless also is focused on supporting its global customer base in connection with its repair and maintenance business (“RMA Business”).

Summary of Operations

Wave Wireless has incurred substantial losses in recent years. During the years ended December 31, 2004, 2003, and 2002, Wave Wireless recorded net losses from continuing operations of ($3.3) million, ($10.7) million, and ($44.9) million, respectively. While Wave Wireless achieved revenue growth in the year ended December 31, 2004 compared to the year ended December 31, 2003, lower average selling prices have continued to impact Wave Wireless' operating results in 2004 compared to 2003 and prior periods. As a result, Wave Wireless continued to reduce operating and other costs throughout 2004. For example, in the second quarter of 2004, Wave Wireless restructured its Italian operations conducted by P-Com Italia, S.p.A. Under the restructuring plan, certain refurbishment operations have been outsourced to NORT S.r.L, an Italian third-party contract manufacturer. The outsourcing arrangement is in addition to arrangements to outsource manufacturing of its point - to - point and spread spectrum products entered into in the first quarter of 2004, which resulted in lower costs of manufacturing those product lines.

The continued curtailments in capital spending among telecommunication carriers in the United States, Europe, and many parts of Asia and Latin America countries, together with Wave Wireless' customer concentration, and the intense competition from leading telecommunications equipment and technology suppliers, has resulted in lower average selling prices.

As a result, on April 28, 2005, Wave Wireless announced a restructuring plan that resulted in a significant reduction in spending, and substantially reduced operating and other costs (the "Restructuring Plan"). The Restructuring Plan was caused by the substantial operating losses incurred by Wave Wireless, and its assessment that substantial operating losses would continue in the short term absent a plan to restructure the business, and substantially reduce its cost structure. In addition, absent such a plan, Wave Wireless would likely be unable to attract financing on reasonable terms, if at all.

The Restructuring Plan included the divestiture of certain unprofitable product lines, which includes certain of Wave Wireless' point-to-point microwave products. Wave Wireless will, however, continue the sale of its unlicensed radio products, and certain of its licensed radio products, including refurbished licensed products in connection with its repair and maintenance business ("RMA Business"). The Restructuring Plan also included a reduction in work force from approximately 130 full and part-time employees to approximately 50 employees worldwide by the end of 2005. The Restructuring Plan is substantially complete as of the end of 2005.

Summary of Liquidity and Capital Resources

The accompanying consolidated financial statements have been prepared assuming that Wave Wireless will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As reflected in the financial statements, Wave Wireless used $9.1 million, $5.9 million and $14.5 million cash, respectively, in supporting its operating activities during the years ended December 31, 2004, 2003 and 2002, respectively. Wave Wireless' financing activities generated $4.7 million, $11.9 million and $8.0 million during the years ended December 31, 2004, 2003 and 2002, respectively.

For the nine-month period ended September 30, 2005, Wave Wireless incurred a net loss attributable to common stockholders of $15.4 million and used $5.4 million cash in its operating activities. As of September 30, 2005, Wave Wireless had a surplus in stockholders' equity of $3.9 million and accumulated deficit of $384.3 million. Also, as of September 30, 2005, Wave Wireless had approximately $166,000 in cash and cash equivalents, and a working capital deficiency of approximately $7.3 million. These conditions raise substantial doubt about Wave Wireless' ability to continue as a going concern.

Wave Wireless' current working capital requirements are being met principally from available borrowings under a credit facility ("Credit Facility") with Silicon Valley Bank (the "Bank"), discussed below, borrowings from the issuance of promissory notes convertible into shares of Wave Wireless' common stock ("Convertible Notes"), and cash from operations. The amount outstanding under the Credit Facility was approximately $1.9 million at September 30, 2005.

Wave Wireless' plan of restructuring announced in April 2005 ("Restructuring Plan") was intended to eliminate its dependence on external sources of financing. While the Restructuring Plan has resulted in a substantial reduction in operating losses, and cash used in operations, Wave Wireless currently remains dependent on external sources of financing to continue operations. As a result, Wave Wireless has issued Convertible Notes to address its immediate liquidity needs, and intends to issue additional Convertible Notes to meet its working capital requirements. It is currently anticipated that the Convertible Notes will convert into an equity-based financing that Wave Wireless intends to consummate prior to the end of the quarter ending March 31, 2006. Wave Wireless intends to use the proceeds from the equity-based financing to settle certain commitments, and provide for its long-term working capital needs.

In addition to issuing Convertible Notes, Wave Wireless intends to meet its working capital requirements by (i) accessing available borrowings under the Credit Facility, (ii) further reducing operating and other costs under the Restructuring Plan, and (iii) focusing sales on higher margin products. Wave Wireless currently does not have any commitments from third parties to acquire additional Convertible Notes.

There can be no assurance that Wave Wireless will be successful in issuing additional Convertible Notes or that the it will be able to consummate an Equity Financing on acceptable terms, if at all. Wave Wireless is in the process of a merger and is continuing to consider other merger, acquisition and strategic opportunities that would substantially improve its competitive position, increase sales, and accelerate profitability. If Wave Wireless is unsuccessful in its plans to issue additional Convertible Notes or raise additional capital in the immediate term, or otherwise improve its liquidity position, Wave Wireless will no longer be able to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to amounts and classification of liabilities that may be necessary if Wave Wireless unable to continue as a going concern.

Subsequent Events

Since September 30, 2005, Wave Wireless has issued approximately $1,025,000 in Convertible Notes, due March 31, 2006. Interest accrues on the Convertible Notes at an annual interest rate of 10%. Under the terms of the Convertible Notes, the holders have the option to convert the outstanding balance due under the terms of the Convertible Notes into shares of common stock of Wave Wireless at a price per share of $0.15 at any time the Convertible Notes remain outstanding. In addition, the outstanding principal amount and all accrued but unpaid interest under the terms of the Convertible Notes automatically convert into any shares issued in an equity or equity-based financing with gross proceeds of at least $2,500,000 (“Equity Financing”). For purposes of determining the number of equity securities to be received by the holders upon such conversion, the holders shall be deemed to have tendered 120% of the outstanding balance of the Convertible Notes as payment of the purchase price in the Equity Financing. As additional consideration for the loan evidenced by the Convertible Notes, the holders were issued warrants for the issuance of 2,562,500 shares of common stock of Wave Wireless at an exercise price of $.20 per share.

In anticipation of the proposed merger with WaveRider, Wave Wireless has advanced WaveRider $450,000 from the proceeds received from the issuance of the Convertible Notes under a series of 10% convertible promissory notes issued by WaveRider, which convertible promissory notes are due and payable March 31, 2006. Wave Wireless has converted the convertible promissory notes into shares of voting preferred stock of WaveRider.

On November 10, 2005, Wave Wireless and the purchaser of certain promissory notes issued under the Debenture Agreement exchanged all issued and outstanding promissory notes for and in consideration for the issuance to the purchaser of a new promissory note, in the principal amount of $4,153,649 (the “New Note”), which amount represented unpaid principal and accrued interest due under the terms of the old promissory notes as of the date of the New Note, October 1, 2005. Under the terms of the New Note, interest accrues on such debt at an annual interest rate of 8%, and this rate increases to 10% on April 1, 2006 through the maturity date of the loan, December 31, 2007. Payments of principal and accrued interest under the New Note is amortized and paid by Wave Wireless over a period of eight quarters in either cash or shares of Wave Wireless’ common stock, with the first amortization payment due December 31, 2005. Wave Wireless made the first amortization payment using warrants to purchase shares of Wave Wireless’ common stock, exercisable at $.001 per share.

In consideration for allowing borrowings under the Purchase Agreement after December 31, 2004, and for waiving, among other things, certain other conditions to additional draws under the Purchase Agreement, Wave Wireless lowered the exercise price of certain warrants held by the purchaser of the promissory notes from $1.50 to $.001 per share on November 10, 2005.

Estimates and Critical Accounting Policies

Wave Wireless 's discussion and analysis of its financial condition and results of operations are based upon its consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires Wave Wireless to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. Wave Wireless evaluates its estimates frequently. Wave Wireless bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Wave Wireless believes the following critical accounting policies are significant in the preparation of its consolidated financial statements:

Revenue Recognition

Revenue from product sales is recognized upon transfer of title and risk of loss, which is upon shipment of the product, provided no significant obligations remain and collection is probable. Revenue from out-of-warranty repair is recognized upon replacement of the defective unit with a repaired unit to the customers. Provisions for estimated warranty repairs, returns and other allowances are recorded at the time revenue is recognized.

Allowance for Doubtful Accounts

Wave Wireless maintains an allowance for doubtful accounts for estimated losses on customer accounts. Wave Wireless evaluates its allowance for doubtful accounts based on the aging of its accounts receivable, the financial condition of its customers and their payment history, its historical write-off experience and other assumptions. In order to limit its credit exposure, Wave Wireless often require irrevocable letters of credit and even prepayment from certain of its customers before commencing production.

Inventory

Wave Wireless' inventory is required to be stated at the lower of its cost or recoverable value. Demand from its customers is highly unpredictable, and can fluctuate significantly as a result of factors beyond its control. In addition, its inventories include parts and components that are specialized and subject to rapid technological obsolescence. Finally, Wave Wireless may purchase inventories in advance of a customer's formal order if it believes the risk of loss is not probable. As a result of these conditions, Wave Wireless maintains an allowance for inventories. Wave Wireless assesses its inventory carrying value and reduces it if necessary, on a specific identification basis. However, such process requires subjective estimates.

Impairment of Long Lived Assets, Other Than Goodwill

In the event that certain facts and circumstances indicate that the long-lived assets other than goodwill may be impaired, an evaluation of recoverability would be performed. When an evaluation of long lived assets other than goodwill becomes necessary, Wave Wireless conducts a probability analysis based on the weighted future undiscounted cash flows associated with the asset or at the lowest discernable level of cash flows. The results are then compared to the carrying amounts to determine if impairment charges require calculation. The cash flow analysis for the property and equipment is performed over the shorter of the expected useful lives of the assets, or the expected life cycles of its product line.

Impairments of Goodwill

Goodwill resulting from the purchase of substantially all the assets of SPEEDCOM Wireless Corporation will not be amortized into operations. Rather, such amounts will be tested for impairment at least annually. This impairment test is calculated at the reporting unit level, which is at the enterprise level. The annual goodwill impairment test has two steps. The first step identifies potential impairments by comparing the fair value of Wave Wireless, as determined using its trading market prices, with its carrying value, including goodwill. If the fair value exceeds the carrying amount, goodwill is not impaired and the second step is not necessary. If the carrying value exceeds the fair value, the second step calculates the possible impairment loss by comparing the implied fair value of goodwill with the carrying amount. If the implied amount is less than the carrying amount, a write-down will be recorded. In the event that Wave Wireless determines that the value of goodwill has become impaired using this approach, an accounting charge for the amount of the impairment will be recorded. No impairment of goodwill resulted from this measurement approach during the current year.

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Accounting For Income Tax Valuation Allowances

Wave Wireless records a valuation allowance to reduce its deferred tax assets to the amount that is more likely than not to be realized in future periods. Wave Wireless considers historical levels of income, expectations and risks associated with estimates of future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance. In the event that Wave Wireless determines that it would be able to realize deferred tax assets in the future in excess of the net recorded amount, an adjustment to the deferred tax asset would increase income in the period that determination was made.

Years Ended 2004, 2003 and 2002

Sales

In 2004, 2003 and 2002, Wave Wireless' sales were approximately $24.2 million, $20.8 million and $29.7 million, respectively. The 16% increase in sales from 2003 to 2004 was primarily due to increased shipments to one customer, which generated approximately 25% of its total sales, or $6.2 million. Wave Wireless does not anticipate generating the same level of sales to this customer in 2005.

Sales of licensed products in 2004, including refurbished radios, was $19.1 million, or 79% of total sales, while sales of unlicensed products was $5.1 million, or 21% of total sales. Wave Wireless currently expects the demand for unlicensed wireless equipment to increase, as unlicensed equipment is generally less expensive and the spectrum is free. Demand for licensed wireless equipment has not significantly increased since 2000, when spending on telecommunications equipment peaked, and competition has intensified. As part of Wave Wireless' restructuring plan announced in April 2005, it has discontinued its licensed product line but will, however, continue the sale of refurbished licensed products in connection with its repair and maintenance business and focus on increasing sales of its unlicensed product line. See Restructuring Activities below.

Sales of refurbished licensed products in 2004 were $11.2 million, or 46% of total sales, and 58% of total sales of licensed products. As a percentage of total sales and total sales of licensed products, sales of refurbished licensed products are anticipated to increase in 2005 relative to 2004 as a result of the decrease in sales of new licensed products in 2005.

The 30% decrease in sales from 2002 to 2003 was primarily due to decreased shipments to China and South East Asia, which decreased to $5.8 million in 2003, compared to $15.0 million in 2002. The decrease was principally caused by the increased competition in the region, and economic conditions exacerbated by the SARS epidemic.

Sales to Orange Personal Communications Services accounted for 13%, 18% and 11% of total sales in 2004, 2003 and 2002, respectively. Sales to MynTahl Corporation accounted for 0%, 13% and 14% of total sales in 2004, 2003 and 2002, respectively. Sales to T-Mobile (previously known as Mercury-One-to-One) accounted for 12%, 12% and 4% of 2004, 2003 and 2002 sales, respectively.

During 2004, Wave Wireless generated 11% of its sales in the United States, 23% in the United Kingdom, 21% in continental Europe, 14% in Asia, 25% in Latin America and 6% in other geographical regions. During 2003, Wave Wireless generated 8% of its sales in the United States, 31% in the United Kingdom, 18% in continental Europe, 32% in Asia, 7% in Mexico and 4% in other geographical regions. During 2002, Wave Wireless generated 10% of its sales in the United States, 20% in the United Kingdom, 15% in continental Europe, 51% in Asia, and 4% in other geographical regions.

Gross Profit (Loss)

Cost of sales consists primarily of costs related to materials, labor and overhead, freight and duty. Cost of sales amounted to $18.7 million, $20.6 million and $30.8 million during the years ended December 31, 2004, 2003, and 2002, respectively. In 2004, 2003, and 2002, gross profit (loss) was $5.5 million, $0.2 million, and $(1.1) million, respectively, or 23%, 1%, and (4%), respectively.

In 2004, 2003 and 2002, cost of sales and gross margins were negatively affected by inventory and other related charges of $0.9 million, $3.7 million, and $5.8 million, respectively (see “Restructuring and Other Charges” below). Product gross profit as a percentage of product sales, not including the effect of the inventory charges described above, was approximately 26%, 19%, and 15%, in 2004, 2003, and 2002, respectively. The higher gross margin in 2004 was principally due to higher levels of revenue attributable to sales of higher margin refurbished licensed product sales and the lower cost of outsourced manufacturing by NORT in its former Italian operations. The NORT arrangement, which was executed in June 2004, is expected to have a continuing beneficial effect on gross margins. The higher gross margin in 2003 over 2002 was principally due to a higher percentage of revenue attributable to refurbished licensed product sales, which contributes a higher gross margin than the gross margin attributable to new product sales.

As further discussed under Restructuring Activities, below, our restructuring plans included the divestiture of certain licensed product lines, other than refurbished licensed products, which will have the effect of further reducing its overall operating costs. Divesting certain product lines resulted in inventories becoming excessive and subject to markdown. Such amounts were recorded as a component of cost of sales when they were estimable.

Research and Development

Research and development expenses consist primarily of costs associated with new product development. Wave Wireless’ research and development activities include the development of additional radio products, frequencies and upgrading operating features, and related software tools. Software development costs incurred prior to the establishment of technological feasibility are expensed as incurred. Software development costs incurred after the establishment of technological feasibility and before general release to customers are capitalized, if material.

In 2004, 2003 and 2002, research and development expenses were approximately $5.0 million, $6.1 million and $12.7 million, respectively. As a percentage of product sales, research and development expenses decreased from 29% in 2003 to 20% in 2004, primarily due to increased revenue and decreases in research and development spending. As a percentage of sales, research and development expenses decreased from 43% in 2002 to 29% in 2003, primarily due to discontinuation of research on the point-to-multipoint product line. Research and development expenses in 2002 were significant due to the substantial final development efforts on the new Encore point - to - point and AirPro Gold spread spectrum products in preparation for commercial rollout of this product line in 2003.

Selling and Marketing

Selling and marketing expenses consist of salaries, sales commissions, travel expenses, customer service and support expenses, and costs related to business development and trade shows. In 2004, 2003, and 2002, selling and marketing expenses were $6.8 million, $3.6 million, and $6.6 million, respectively. As a percentage of sales, selling and marketing expenses increased from 17% in 2003 to 28% in 2004, primarily due to increased payroll, travel and commissions expenses. As a percentage of sales, selling and marketing expenses decreased from 22% in 2002 to 17% in 2003, primarily due to headcount reductions and cost cutting programs that were put in place during the restructuring.

General and Administrative

General and administrative expenses consist primarily of salaries and other expenses for management, as well as finance, accounting, data processing, public company costs, legal, and other professional services. In 2004, 2003, and 2002, general and administrative expenses, were $4.6 million, $5.6 million, and $10.7 million, respectively. As a percentage of sales, general and administrative expenses decreased from 27% in 2003 to 19% in 2004 due to reduced consulting, underwriting fees and other services. As a percentage of sales, general and administrative expenses decreased from 36% in 2002 to 27% in 2003 due to headcount reductions, lower levels of external professional fees, and other cost cutting programs implemented during the year.

On March 10, 2005, Wave Wireless' Chief Executive Officer, Samuel Smookler, resigned as Chief Executive Officer and a director of Wave Wireless. The Board of Directors is currently negotiating the terms of his severance arrangements. Under the terms of his existing Agreement, Mr. Smookler may be entitled to receive severance payments totaling $250,000. In addition, his incentive stock option to acquire 80,000 shares of common stock vests immediately. Wave Wireless recorded the negotiated severance expense effective with the date of termination during the first fiscal quarter in the year ended December 31, 2005. The acceleration in vesting of Mr. Smookler's incentive stock options is not considered a modification and, therefore, no expense will be recorded, because acceleration upon termination was provided for in his original employment agreement. See also Restructuring Activities, below.

Restructuring Activities

Wave Wireless implemented the Restructuring Plan announced in April 2005 that significantly curtailed current spending, and substantially reduced liabilities and operating and other costs.

The Restructuring Plan included significant reductions in costs, including the suspension or curtailment of certain research and development efforts, reductions in headcount, restructuring of committed costs, such as leasing arrangements, and the curtailment of activities in certain foreign locations. The Plan also included the divestiture of certain unprofitable product lines, which had the effect of further reducing overall costs. Finally, the Plan included the designation of additional preferred stock that was used to restructure certain liabilities and existing preferred stock of Wave Wireless.

Many of the individual components of the Restructuring Plan resulted in charges to operations and, in some instances, the use of a portion of Wave Wireless' remaining cash reserves. However, under current accounting standards for restructuring and exit activities, Wave Wireless was required to determine the amounts and the timing of recognition of the cost components individually. Severance costs were recognized when employee groups were identified and the severance benefits were communicated. Divesting certain product lines resulted in inventories becoming excessive and subject to markdown evaluation. Such amounts were recorded as a component of cost of sales when estimable. Other costs associated with the Restructuring Plan, such as lease restructuring or other exit costs, generally were recognized when the costs were incurred through contract execution or otherwise.

Certain time sensitive elements of its Restructuring Plan have been initiated at the direction or approval of the Board of Directors. As noted in General and Administrative above, on March 10, 2005, the employment of Wave Wireless' Chief Executive Officer, Samuel Smookler, was terminated, and its former Acting Chief Financial Officer and General Counsel, Daniel W. Rumsey, was appointed Chief Restructuring Officer. Wave Wireless had also commenced efforts to exit or modify certain facilities and operating lease arrangements, as well restructure certain debts and other obligations of Wave Wireless prior to the announcement in April 2005.

Restructuring and Other Charges

Wave Wireless continually monitors its inventory carrying value in the light of the slowdown in the global telecommunications market. This has resulted in a $2.0 million charge to cost of sales for its point - to - multipoint, Tel-Link point - to - point and Air-link spread spectrum inventories during the second quarter of 2003. In the first quarter of 2003, Wave Wireless recorded a $3.4 million inventory related charge to cost of sales, of which $2.0 million was related to its point - to - multipoint inventories. These charges were offset by credits of $1.8 million in the second quarter associated with a restructurings of accounts payable and purchase commitment liabilities arising from vendor settlements.

In the event that certain facts and circumstances indicate that the long-lived assets may be impaired, an evaluation of recoverability would be performed. When an evaluation occurs, Wave Wireless conducts a probability analysis based on the weighted future undiscounted cash flows associated with the asset. The results are then compared to the asset's carrying amount to determine if impairment is necessary. The cash flow analysis for the property and equipment is performed over the shorter of the expected useful lives of the assets, or the expected life cycles of its product line. An impairment charge is recorded if the net cash flows derived from the analysis are less than the asset's carrying value. Wave Wireless deems that the property and equipment is fairly stated if the future undiscounted cash flows exceed its carrying amount. In the first and second quarter of 2003, Wave Wireless continued to reevaluate the carrying value of property and equipment relating to its point - to - multipoint product line, that are held for sale. The evaluation resulted in a $2.5 million provision for asset impairment in the second quarter of 2003, and $0.6 million provision in the first quarter of 2003. As a result of these adjustments, there is no remaining net book value of property and equipment related to the point - to - multipoint product line.

A summary of inventory reserve activities is as follows:

	Inventory Reserve
Balance at January 1, 2004	$ 27,119
Additions charged to Statement of Operations	916
Deductions from reserves	(3,746)
Balance at December 31, 2004	$ 24,289

In the fourth quarter of 2002, Wave Wireless determined that there was a need to reevaluate its inventory carrying value in light of the continuing worldwide slowdown in the global telecommunications market, especially with regard to an assessment of future demand for its point - to - multipoint product range. This resulted in a $5.8 million inventory charge to product cost of sales, of which $5.0 million was for point - to - multipoint inventories, and $0.8 million was for spread spectrum inventories.

Change in Accounting Principle

Goodwill represents the excess of the purchase price over the fair value of the net assets of acquired companies accounted for as purchase business combinations. Wave Wireless adopted SFAS 142 on January 1, 2002, and, as a result, discontinued recording goodwill amortization; although Wave Wireless did record a transitional impairment charge of $5.5 million in the first quarter of 2002, representing the difference between the fair value of expected cash flows from the services business unit, and its book value.

Goodwill Amortization and Impairment

Wave Wireless accounted for the SPEEDCOM purchase transaction using the purchase method of accounting. Under the purchase method of accounting, the total purchase price, plus the fair value of assumed liabilities, is allocated to the net tangible and identifiable intangible assets acquired, based upon their respective fair values. The total purchase price of approximately $7,514,000 consisted of 2,116,666 shares of its Common Stock, valued using market values for such shares around the commitment date ($3.42). The acquisition resulted in goodwill of approximately $12.0 million, because the value of the assumed liabilities exceeded the value of the tangible assets acquired.

In accordance with Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets, goodwill resulting from the purchase, if any, will not be amortized into operations. Rather, such amounts will be tested for impairment at least annually. In the event that Wave Wireless determines that the value of goodwill has become impaired, an accounting charge for the amount of the impairment will be recorded. No impairment of goodwill was recorded in 2004 or 2003 because the enterprise value of the combined business units exceeded the goodwill-carrying amount.

In 2002, Wave Wireless reviewed the carrying value of goodwill related to the services business unit, and based upon its assessment of future cash value of revenue flows and the current depressed business condition of the telecommunications services market, recorded an $11.4 million impairment charge in the fourth quarter of 2002.

Loss on Discontinued Business

In the first quarter of 2003, Wave Wireless decided to exit its service business, P-Com Network Services, Inc. ("PCNS"). Accordingly, this business is reported as a discontinued operation and Wave Wireless recorded losses from its operations for the year ended December 31, 2003 and 2002. On April 30, 2003, Wave Wireless entered into an Asset Purchase Agreement with JKB Global, LLC to sell certain assets of PCNS. Wave Wireless guaranteed PCNS' obligations under its premises lease, through July 2007. As part of the sale to JKB Global, LLC, JKB Global, LLC agreed to sublet the premises from PCNS for one year beginning May 1, 2003. The terms of the sublease required JKB Global, LLC to pay less than the total amount of rent due under the terms of the master lease. As a result, Wave Wireless remained liable under the terms of the guaranty for the deficiency, and the total obligation under the terms of the master lease was approximately $1.5 million. This amount was accrued in the second quarter of 2003 as loss on disposal of discontinued operations. In September 2003, Wave Wireless entered into an agreement to terminate the premises lease in consideration for the payment to the landlord of $240,000.

Interest Expense

In 2004, 2003 and 2002, interest expense was $0.7 million, $2.2 million and $2.5 million, respectively. In 2004 and 2003, interest expense primarily related to the borrowings on the credit facility with the Bank, the issuance of the Convertible Notes, amortization of discount on promissory notes, and interest on equipment leases. In 2002, interest expense primarily related to the borrowings under the Credit Facility, the 4.25% Convertible Subordinated Notes, the issuance of the Convertible Notes, note conversion expenses and interest on equipment leases. Approximately $0.8 million was charged to interest expense in 2002 related to conversion of the 4.25% Convertible Subordinated Notes to Common Stock, in compliance with SFAS 84.

Other Income (Expense), Net

In 2004, other income, net, related primarily to a gain on the settlement of a contract of $7.5 million. In 2003, other income, net, related primarily to exchange gain arising from the depreciation of the United States dollar against the Euro and British pound of $0.9 million, gain on disposals of property and equipment of $1.1 million, and gain on vendor settlements of $2.2 million. These were partially offset by miscellaneous other losses.

In 2002, other expense, net, related primarily to losses on vendor settlements of $1.2 million, and writing-off of a notes receivable of $0.8 million. These were partially offset by exchange gain arising from Euro and British pound denominated receipts when these currencies appreciated against the United States dollar and other miscellaneous income.

Gain (loss) on Debt Extinguishment

In the second quarter of 2003, Wave Wireless repurchased a portion of its 7% Convertible Subordinated Notes with a face value of $2.3 million, in exchange for property and equipment valued at $0.8 million, resulting in a gain of $1.5 million. In the third quarter of 2003, Wave Wireless redeemed the remaining 7% Convertible Notes plus interest totaling $21.1 million, in exchange for Series B Preferred Stock with a valuation of $11.6 million. The amount of unamortized deferred financing expense of $750,000 was also written-off as part of this transaction, which resulted in a gain of $8.8 million. In the fourth quarter of 2003, Wave Wireless converted Series C Preferred Stock with a face value of $2.2 million, in exchange for Common Stock valued at $6.0 million on the commitment date of the transaction, resulting in a loss of $3.8 million.

In the second quarter of 2002, Wave Wireless repurchased 4.25% Convertible Subordinated Notes with a face value of $1.75 million for approximately $367,000 in cash.

Provision (Benefit) For Income Taxes

There was no provision for income tax in 2004 and 2003, because Wave Wireless incurred net operating losses during the year and the realization of benefits is future years does not rise to the more likely than not standard. In 2002, Wave Wireless recorded a net tax benefit of $(0.5) million, relating to recovery of prior year's federal income tax, offset by income taxes attributable to foreign jurisdictions that had local taxable income for the year.

Nine Months Ended September 30, 2005 and 2004

Sales

For the nine months ended September 30, 2005, sales were approximately $9.7 million, compared to $19.9 million for the comparable period in the prior year. The significant decrease in revenue as compared to the comparable periods last year is attributable to substantially lower revenue in certain licensed product lines and lower than anticipated refurbished licensed product revenue associated with its RMA Business. The lower revenue attributable to its licensed product lines principally reflects the exiting of an unprofitable product line contemplated in its Restructuring Plan. Because of the significant decline in sales attributable to its licensed product lines, a substantial portion of its product sales continue to come from its RMA Business, which generated approximately $5.1 million for the nine months ended September 30, 2005, but were down from the $8.6 million for the nine months ended September 30, 2004.

The decrease in sales attributable to its RMA Business in the nine month period ending September 30, 2005 is principally caused by lower sales volume attributable to the loss of a single customer in Europe, as well as by the decommissioning of certain of its licensed radio products from another customer's network. Wave Wireless anticipates that, as its customers' networks age, and the cost to replace these networks decrease, its customers may similarly elect to decommission its licensed radio products installed in their networks. In addition, competition from other repair and maintenance service providers may negatively affect sales attributable to its RMA Business. Wave Wireless recently entered into an agreement with one of its customers to secure the sale of refurbished licensed radio products to this customer through March 2006, and Wave Wireless is currently negotiating similar agreements with many of its other customers. Nevertheless, it is anticipated that its RMA Business will decline over time. Wave Wireless currently anticipates that the expected decline in its RMA Business over time will be offset by increases in new product sales attributable to its unlicensed product lines.

For the nine months ended September 30, 2005, North America contributed 10% of its sales, 37% of its sales were from the United Kingdom, with 10% of its sales from Europe, while 6% of its sales originated from Asia, 17% of its sales were from Latin America and 20% from other regions. During the comparable period in 2004, 9% of its sales were from North America, 24% of its sales were from the United Kingdom, 18% of its sales were from Europe, 7% of its sales were from Asia, 32% of its sales were from Latin America, and 10% of its sales were generated from other regions.

As a result of the Restructuring Plan, Wave Wireless has divested certain unprofitable product lines, and therefore sales levels for the quarter and full year ending December 31, 2005 will not reach the levels achieved in the comparable periods in 2004. These product lines contributed approximately $3.3 million in revenue during the first nine months of 2005. Our sales in subsequent periods will be substantially dependent on sales of its unlicensed products, which contributed $2.1 million in revenue in the nine months ended September 30, 2005, as well as sales attributable to its RMA Business, which will decline over time.

Gross Profit

Gross profit for the nine months ended September 30, 2005 and 2004 was $2.7 million and $4.9 million, respectively, or 27% and 25% of sales in each of the respective periods. The higher gross margin during the nine months ended September 30, 2005 was principally attributable to non-recurring adjustment items consisting of a favorable accrued inventory liability adjustment of $243,000, shipments of inventory on terminated purchase orders which reduced its accrued cancellation cost by $116,000 and a reduction in inventory reserves of $182,000 due to sales of licensed products which were previously reserved. Absent these favorable non-recurring adjustments, gross margin would have been lower during this period compared to the same period in 2004 due to the significantly lower sales volumes. Sales in connection with its RMA Business were lower during this period compared to the same period in 2004, which typically results in higher gross margins, as well as lower sales volumes in other licensed product lines. The significantly lower sales volume during the nine months ended September 30, 2005 resulted in a substantial amount of unabsorbed overhead relative to the comparable period in 2004.

Research and Development

For the nine months ended September 30, 2005 and 2004, R&D expenses were approximately $2.5 million and $3.8 million, respectively. As a percentage of sales, research and development expenses were 25% for the nine months ended September 30, 2005, compared to 19% for the nine months ended September 30, 2004. The decrease in R&D expenses is principally the result of headcount reductions and other related expense reductions caused by the implementation of the Restructuring Plan, and the resulting focus on unlicensed product development.

Selling and Marketing

For the nine months ended September 30, 2005 and 2004, sales and marketing expenses were approximately $2.7 million and $5.2 million, respectively. The substantial decrease in sales and marketing expenses is due to headcount reductions and other related expense reductions, and lower commissions in light of decreased sales. As a percentage of sales, selling and marketing expenses were 27% for the nine months ended September 30, 2005, and 26% for the comparable period in 2004.

General and Administrative

For the nine months ended September 30, 2005 and 2004, general and administrative expenses were approximately $2.5 million and $3.4 million, respectively. As a percentage of sales, general and administrative expenses were 26% for the nine months ended September 30, 2005, compared to 17% for the nine months ended September 30, 2004. The decrease in general and administrative expenses in the first nine months of 2005 as compared to the comparable period in 2004 is principally attributable to a realization of savings from cost reduction efforts caused by implementation of the Restructuring Plan, including reduced consulting and legal expenses, and facilities consolidation.

Asset Impairment and Other Restructuring Charges

In the event that certain facts and circumstances indicate that the long-lived assets may be impaired, an evaluation of recoverability would be performed. When an evaluation occurs, Wave Wireless conducts a probability analysis based on the weighted future undiscounted cash flows associated with the asset. The results are then compared to the asset's carrying amount to determine if impairment is necessary. The cash flow analysis for the property and equipment is performed over the shorter of the expected useful lives of the assets, or the expected life cycles of its product line. An impairment charge is recorded if the net cash flows derived from the analysis are less than the asset's carrying value. Wave Wireless deems that the property and equipment is fairly stated if the future undiscounted cash flows exceed its carrying amount.

In April 2005, Wave Wireless announced the adoption of the Restructuring Plan that significantly curtailed current spending, and substantially reduced liabilities and operating and other costs. The Restructuring Plan included the divestiture of certain unprofitable product lines, workforce reductions, write-down of certain inventory, and a loss associated with the divestiture of its research and development operations in Italy. A restructuring charge of nearly $5.4 million was taken as of March 31, 2005, to cover the costs associated with the Restructuring Plan.

At September 30, 2005, Wave Wireless recorded $310,000 in restructuring expense resulting from the termination of the Sublease Agreement, dated January 3, 2005, between Wave Wireless and Lakewood Ranch Properties, Inc. ("Sublease"). The Termination Agreement, dated October 17, 2005, is intended to result in the dismissal of a Complaint filed September 16, 2005 by Lakewood Ranch Properties for the failure to pay one month's rent due under the terms of the Sublease, in the amount of $26,771.43. Lakewood Ranch Properties also alleged that Wave Wireless was liable under the Sublease for accelerated future monthly rent through September 30, 2016.

Under the terms of the Termination Agreement, the parties have agreed to terminate the Sublease for and in consideration for the payment to Lakewood Ranch Properties of $10,000 in attorney's fees, and $300,000 payable $25,000 on or before October 31, 2005, $150,000 on or before November 15, 2005, and $125,000 on or before December 31, 2005. Wave Wireless intends to seek financing to make the required payments. No assurances can be given that Wave Wireless will be able to obtain the necessary financing to make the required payments.

Interest Expense

For the nine months ended September 30, 2005 and 2004, interest expense was $589,000 and $304,000, respectively. Interest expense for the nine months ended September 30, of 2005 was primarily for interest paid on short-term bank borrowings and interest on debentures and promissory notes. As a result of Wave Wireless' dependence on the Credit Facility to meet its working capital needs, as well as the issuance of the Notes and Convertible Notes, interest expense is anticipated to increase in subsequent periods relative to the levels incurred in the nine months ended September 30, 2005.

Other Income (Expense), Net

For the nine-month period ended September 30, 2005, other expense, net, totaled $397,000 compared to other income of $8.3 million for the same period in 2004. The other income in 2004 was due to a $7.5 million gain on a settlement of a deferred contract obligation and a $1.0 million gain on settlements with various vendors.

Provision (Benefit) for Income Taxes

Wave Wireless has not recorded the tax benefit of its net operating losses since the criteria for recognition has not been achieved. The net operating losses will be available to offset future taxable income, subject to certain limitations and expirations.

Liquidity and Capital Resources

Since its inception in August 1991, Wave Wireless have financed its operations and capital requirements principally through net proceeds of approximately $97.2 million from its initial and two follow-on public offerings of its Common Stock; $113.1 million from private placements of its Common Stock and the exercise of Warrants; $44.6 million from five Preferred Stock financings; $97.5 million from the 4.25% Notes issued in 1997; $3.3 million from the issuance of debentures; and borrowings under bank lines of credit and equipment lease arrangements.

Cash Used in Operations

In 2004, Wave Wireless used approximately $9.1 million of cash in operating activities, primarily due to its net loss of $3.3 million, a non-recurring gain on vendor settlements of approximately $8.5 million, and reductions in accounts payable and other accrued liabilities of $2.3 million, offset by depreciation expenses and inventory charges of $2.4 million and lower receivables, and other assets of $2.4 million.

In 2003, Wave Wireless used approximately $5.9 million of cash in operating activities, primarily due to its net loss of $14.4 million, and a $6.5 million non-cash gain arising from the redemption of the Convertible Notes, plus a $2.1 million of non-cash gain from vendor settlements. These amounts were offset by a $3.7 million non-cash loss related to inventory and related charges, $3.1 million of property and equipment impairment charges, and depreciation expenses of $3.9 million. Significant contributions to cash flow resulted from a net reduction in inventories of $2.5 million, a net reduction in prepaid and other current assets of $1.2 million, offset by a net decrease of other accruals and accounts payable totaling $2.1 million.

During the nine month period ended September 30, 2005, Wave Wireless used approximately $5.4 million of cash in operating activities, primarily due to its net loss of $11.6 million, increases in accounts receivable of $0.4 million, increases in inventory of $0.6 million (excluding the restructuring write-down), and reductions in accounts payable of $1.1 million, offset by a non-cash restructuring charge of $5.6 million, lower other asset values of $0.8 million, and higher other accrued liabilities of $1.5 million and depreciation expense of $0.5 million.

During the nine month period ended September 30, 2004, Wave Wireless used approximately $6.7 million of cash in operating activities, primarily to fund operating losses.

Cash from Investing Activities

During 2004, Wave Wireless received $0.6 million from the sale of property and equipment of $0.9 million, offset by new acquisitions of $0.3 million.

In 2003, Wave Wireless used approximately $0.7 million of cash from investing activities, due principally to $1.6 million paid for the acquisition of SPEEDCOM Wireless Corporation, plus $0.2 million related to the acquisition of property and equipment, offset by changes in the net assets of discontinued operations of $0.6 million.

During the nine-month period ended September 30, 2005, Wave Wireless generated approximately $0.4 million in investing activities. Wave Wireless received $0.5 million from the sale of fixed assets offset by $0.1 million from the acquisition of other property and equipment and increases in restricted cash.

During the nine-month period ended September 30, 2004, Wave Wireless generated approximately $0.6 million of cash in investing activities, principally due to the sale of property in Italy for $0.8 million which was offset by the acquisition of other property and equipment.

Cash from Financing Activities

In 2004, Wave Wireless received $4.7 million through financing activities. This was due primarily to $3.3 million of proceeds from the issuance of debentures and $2.4 million net proceeds from the Special Warrant Offering, offset by $1.0 million of capital lease payments.

In 2003, Wave Wireless generated $11.9 million of cash flows from financing activities, primarily through the receipt of $15.1 million from Preferred Stock and bridge note financings, as more particularly described below, and $0.3 million from the receipt of proceeds from the sale of Common Stock. These were offset by payments of $2.6 million to the Bank under the Credit Facility, a payment of $0.8 million to redeem certain promissory notes assumed as a result of the acquisition of Wave Wireless, and payments of $0.2 million to lessors under capital leases.

During the nine month period ended September 30, 2005, Wave Wireless received approximately $2.9 million of cash from financing activities, primarily from $1.9 million in advances under the Credit Facility, $1.5 million in Note proceeds from the Debenture Financing, and $0.1 million from the issuance of Convertible Notes, offset by $0.6 million in repayments related to outstanding Notes.

During the nine-month period ended September 30, 2004, Wave Wireless generated cash of $3.6 million from financing activities, principally due to the receipt of $2.6 million resulting from the exercise of certain warrants in connection with a special warrant offering, advances of $1.5 million from the Bank under the Credit Facility, and $0.1 million from the sale of certain common stock of SPEEDCOM held by Wave Wireless, offset by $0.6 million in payments related to capital lease obligations.

On March 26, May 28, and July 18, 2003, Wave Wireless completed its bridge financing transactions in which it issued $1.5 million, $0.3 million and $0.9 million, respectively, of 10% convertible promissory notes with a maturity date of one year from the date of issuance (the “Bridge Notes”). The Bridge Notes were subordinated to amounts due under the Credit Facility, but senior to the Convertible Notes. The Bridge Notes were converted into shares of Series C Convertible Preferred Stock, in connection with the Series C Financing, as discussed below.

On August 4, 2003, as a result of the restructuring of its Convertible Notes, the principal amount and accrued interest of $21,138,000 was converted into approximately 1,000,000 shares of Series B Convertible Preferred Stock with a stated value of $21.138 per share.

On October 3 and December 18, 2003, Wave Wireless raised approximately $13.8 million from the issuance and sale of its Series C Convertible Preferred Stock (the "Series C Financing"), resulting in net proceeds of approximately $9.9 million after deducting expenses related to the Series C Financing, and payment of certain claims related to its restructuring.

Current Liquidity

As of September 30, 2005, Wave Wireless' principal sources of liquidity consisted of borrowings under the Convertible Notes, borrowing availability under the Credit Facility, and approximately $166,000 of cash and cash equivalents, compared to approximately $2.3 million in cash and cash equivalents at December 31, 2004. Available borrowings under the Credit Facility at September 30, 2005 were approximately $50,000, compared to $1.8 million at December 31, 2004. As of September 30, 2005, Wave Wireless was in compliance with the minimum tangible net worth covenant established in the Credit Facility. Wave Wireless is currently dependent on the issuance of additional Convertible Notes and available borrowings under the Credit Facility to satisfy its immediate liquidity needs, as described below.

At September 30, 2005, our total liabilities were approximately $13.5 million, compared to $11.8 million at December 31, 2004. Our current assets of $4.7 million and our current liabilities of $12.0 million at September 30, 2005, resulted in negative working capital of approximately $7.3 million, compared to working capital of $1.3 million at December 31, 2004.

Wave Wireless' plan of restructuring announced in April 2005 ("Restructuring Plan") is intended to eliminate its dependence on external sources of financing. While the Restructuring Plan has resulted in a substantial reduction in operating losses, and cash used in operations, Wave Wireless currently remains dependent on external sources of financing to continue operations. As a result, Wave Wireless has issued Convertible Notes to address its immediate liquidity needs, and intends to issue additional Convertible Notes to meet its working capital requirements through the remainder of 2005. It is currently anticipated that the Convertible Notes will convert into an equity-based financing that Wave Wireless intends to consummate prior to the end of the quarter ending March 31, 2006 ("Equity Financing"). Wave Wireless intends to use the proceeds from the Equity Financing to settle certain commitments and provide for its long-term working capital needs.

In addition to issuing Convertible Notes, Wave Wireless intends to meet its working capital requirements by (i) accessing available borrowings under the Credit Facility, (ii) further reducing operating and other costs under the Restructuring Plan, and (iii) focusing sales on higher margin products.

Wave Wireless currently does not have any commitments from third parties to acquire additional Convertible Notes. There can be no assurance that Wave Wireless will be successful in issuing additional Convertible Notes or that it will be able to consummate Equity Financing on acceptable terms, if at all. Wave Wireless is in the process of a merger and is continuing to consider other merger, acquisition and strategic opportunities that would substantially improve its competitive position, increase sales, and accelerate profitability. If Wave Wireless is unsuccessful in its plans to issue additional Convertible Notes or raise additional capital in the immediate term, or otherwise improve its liquidity position, Wave Wireless will no longer be able to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to amounts and classification of liabilities that may be necessary if Wave Wireless is unable to continue as a going concern.

There can be no assurance that its restructuring plan will be successful. Accordingly, Wave Wireless is also evaluating the merits of a strategic acquisition or other transaction that would substantially improve its liquidity and capital resource position, as well as the merits of an outright sale of its business. If ultimately required, there can also be no assurances that these actions will be successful.

Our consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to amounts or to amounts and classification of liabilities that may be necessary if Wave Wireless is unable to continue as a going concern.

Commitments and Off Balance Sheet Instruments

Rent expense under operating leases totaled approximately $900,000 for the year ended December 31, 2005. Wave Wireless expects to incur rent expense of approximately $116,000 through each quarter of 2006. These payments exclude certain rent obligations under Wave Wireless' Lease Agreement by and between Wave Wireless and Lakewood Ranch Properties, LLC ("Landlord"), which obligations Wave Wireless has agreed to satisfy for and in consideration for the payment to the Landlord of $310,000. As of December 31, 2005, the amount remaining to be paid to Landlord is $240,000. On January 30, 2006, Wave Wireless and the Landlord entered into an Amendment to Addendum of Termination Agreement ("Amendment"). Under the term of the Amendment, Wave Wireless paid $30,000 to Landlord on February 1, 2006, and is required to pay $30,000 to Landlord or before February 28, 2006, and $180,000 on or before March 31, 2006. Wave Wireless intends to seek financing to make the required payments. No assurances can be given that Wave Wireless will be able to obtain the necessary financing to make the remaining required payments.

Wave Wireless has future non-cancelable lease payments under operating leases of approximately $438,414 in 2006, and $537,114 in 2007.

During the first and second quarter of 2005, Wave Wireless entered into several payment plan agreements with vendors and creditors requiring Wave Wireless to pay off balances past due, or amounts agreed to between Wave Wireless and such vendors or creditors under settlement agreements. At December 31, 2005, the total amount remaining to be paid under those agreements totaled approximately $631,000, of which, approximately $241,000 is remaining for one creditor which will be paid over 8 equal monthly installments, and $305,000 to a vendor which was obligated to be paid over 9 equal monthly installments. Wave Wireless failed to make the required payment to this vendor on October 1, 2005, and is negotiating a revised payment plan taking into consideration Wave Wireless' current liquidity. These amounts are reflected as other accrued liabilities on Wave Wireless' balance sheet.

Wave Wireless also entered into a Settlement Agreement and Release (“Settlement Agreement”) on September 15, 2004 with Seimans Aktiengesellchaft ("Siemens") with respect to certain claims between Siemens and Wave Wireless arising under a Joint Development and License Agreement and Original Equipment Manufacturer Agreement entered into between the parties. Under the terms of the Settlement Agreement, Wave Wireless agreed to pay Siemens $500,000, of which it paid $100,000 on October 1, 2004. Wave Wireless was obligated to pay an additional $100,000 upon the earlier of the receipt of financing by Wave Wireless equal to at least $100,000 or December 31, 2004, and $300,000 in twelve monthly installments of $25,000 per month beginning January 1, 2005. Wave Wireless did not make the December 31, 2004 $100,000 payment but did make the first two monthly payments of $25,000 each in January and February 2005. Wave Wireless has made no other payments to Siemens. The amount due Siemens as of September 30, 2005, $350,000, is reflected as a short-term liability on Wave Wireless' balance sheet. In the event of a default, all amounts due Siemens are immediately payable and interest is accrued at 7%. See "Current Liquidity" above for a discussion of management's plan to satisfy Wave Wireless' requirements with respect to these commitments and to provide cash to finance projected operations.

Wave Wireless does not have any material commitments for capital equipment. Additional future capital requirements will depend on many factors, including its plans to increase manufacturing capacity, working capital requirements for its operations, and its internal free cash flow from operations.

Recent Accounting Pronouncements

In December 2004, the FASB issued Statement No. 123R, Accounting for Share Based Payments. Statement 123R establishes revised accounting standards for employee-stock based compensation measurement that requires employee stock-based compensation be measured at the fair value of the award, replacing the intrinsic approach currently available to companies under Statement 123. Compensation cost continues to be recognized over the period during which the employee is required to provide service. The provisions of the revised statement are effective for financial statements issued for the first interim or annual reporting period beginning after December 15, 2005. Wave Wireless accounts for options issued to employees using the intrinsic approach. Implementation of this new standard is currently expected to result in increases in future compensation expense. However, such effect is not currently estimable.

In March 2005, the FASB issued interpretation No. 47, “Accounting for Conditional Asset Retirement Obligations, an interpretation of FASB Statement No. 143” (“FIN 47”), which requires an entity to recognize a liability for the fair value of a conditional asset retirement obligation when incurred if the liability’s fair value can be reasonably estimated. FIN 47 is effective for fiscal years ending after December 15, 2005. Wave Wireless is currently evaluation the effect that the adoption of FIN 47 will have on its consolidated results of operations and financial condition but does not expect it to have a material impact.

In May 2005, the FASB issued SFAS No. 154, “Accounting Changes and Error Correction (“SFAS 154”), which replaces Accounting Principles Board Opinions No. 20 “Accounting Changes” and SFAS No 3, “Reporting Accounting Changes in Interim Financial Statements - An Amendment of APB Opinion No. 28.” SFAS 154 provides guidance on accounting for and reporting of accounting changes and error corrections. It establishes retrospective application, or the latest practicable date, as the required method for reporting a change in accounting principle and the reporting of a correction of an error. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005 and is required to be adopted by Wave Wireless in the first quarter of fiscal 2006. Wave Wireless is currently evaluating the effect that the adoption of SFAS 154 will have on its consolidated results of operations and financial condition, but does not expect it to have a material impact.

WAVE WIRELESS' PRINCIPAL STOCKHOLDERS

The following table presents information concerning the beneficial ownership of Wave Wireless common stock and Series E Preferred Stock as of January 20, 2006 by each of the following:

- each person known by Wave Wireless to be the beneficial owner of 5% of more of the outstanding shares of Wave Wireless common stock and Series E Preferred Stock;
- each of Wave Wireless' directors and named executive officers; and
- all of Wave Wireless' directors and executive officers as a group.

Beneficial ownership is determined under the rules of the Securities and Exchange Commission and generally includes voting or investment power over securities. Except in cases where community property laws apply or as indicated in the footnotes to this table, Wave Wireless believes that each stockholder identified in the table possesses sole voting and investment power over all shares of common stock and Series E Preferred Stock shown as being beneficially owned by that stockholder. The percentage of beneficial ownership is based on 22,461,684 shares of common stock and approximately 923.1 shares of Series E Preferred Stock outstanding as of January 20, 2006. Shares of common stock subject to convertible notes, warrants and options that are currently convertible or exercisable within 60 days of January 20, 2006 are considered outstanding and beneficially owned by the stockholder who holds those convertible notes, warrants or options for the purpose of computing the percentage ownership of that stockholder but are not treated as outstanding for the purpose of computing the percentage ownership of any other stockholder. Unless otherwise indicated below, the address of each stockholder listed below is 1996 Lundy Avenue, San Jose, California 95131.

	Common Stock			Series E Convertible Preferred Stock	
Name and Address of Beneficial Owner	Shares Issuable Pursuant to Convertible Notes, Warrants and Options Exercisable Within 60 Days of January 20, 2006	Number of Shares Beneficially Owned (Including the Number of Shares Shown in the First Column)	Percentage of Shares Outstanding	Number of Shares Beneficially Owned (1)	Percentage of Shares Outstanding
North Sound Legacy Institutional Fund LLC 1209 Orange Street Wilmington, DE 19801 (2)	888,541	2,311,672	9.9%	—	—
North Sound Legacy International Fund Ltd. Bison Court, Roadtown Tortola, BVI (2)	888,541	2,311,672	9.9%	—	—
SDS Capital Group SPC, Ltd. 113 Church Street PO Box 134GT Grand Canyon, Cayman Islands	2,196,122	2,441,122	9.9%	—	—
Bryan Family Partnership II Ltd. 5450 Thornwood Drive, Ste G San Jose, CA 95123	2,000,000	2,185,378	8.9%	—	—
Whalehaven Capital Fund Ltd. PO Box HM 2257, 3rd Floor Par La Ville Place 14 Par-La-Ville Road Hamilton HM JX, Bermuda	1,157,331	1,157,331	4.9%	—	—
Agilent Financial Services, Inc. 1 CIT Drive, MS4110A Livingston, NJ 07039	178,571	178,571	*	555.8	60.2%
Able Electronics Corporation 31033 Huntwood Avenue Hayward, CA 94544	—	—	—	367.3	39.8%
Frederick R. Fromm	13,879	83,879	*	—	—
R. Craig Roos	—	87,333	*	—	—
George P. Roberts	653,739	743,066	3.2%	—	—
Daniel W. Rumsey	202,028	277,028	1.2%	—	—
Richard Reiss	—	70,000	*	—	—
Don Meiners	195,763	260,834	1.2%	—	—
Sam Smookler (3)	139,637	148,803	*	—	—
Carlos A. Belfiore	206,630	271,630	1.2%	—	—
James D. Bletas	146,667	211,667	*	—	—

All current directors and executive officers as a group (7 persons)	1,558,343	2,154,240	9.0%	—	—

* Less than 1%.

(1) There are no outstanding warrants or options to purchase shares of Series E Convertible Preferred Stock.

(2) Includes shares beneficially owned by North Sound Legacy Fund LLC, North Sound Legacy Institutional Fund LLC, and North Sound International Fund Ltd.

(3) Mr. Smookler's employment with Wave Wireless was terminated effective March 10, 2005.

WAVERIDER'S BUSINESS

WaveRider Communications Inc. is incorporated under the laws of the State of Nevada and trades on the OTC Bulletin Board under the symbol "WAVR."

WaveRider is a wireless technology company that develops, manufactures and markets products to take advantage of the world-wide growth of the Internet, increasing acceptance of wireless technology, and the demand for high speed, Internet access.

WaveRider believes that providing the "last mile solution" is the key to capitalize on the opportunities presented by today's rapidly changing telecommunications market place. The ability to provide a full suite of products and services that will quickly enable all types of users to conduct business, access services and enhance communication is key to securing a dominant market position. The demands of the customer are growing beyond traditional voice communication, as today's end user wants access to a growing set of services that require high-speed access. As a result, WaveRider has developed a family of fixed wireless access products capable of providing wireless high-speed Internet access to businesses, organizations and consumers.

With an early-to-market family of products that include the world's first non-line-of-sight, easy to set up, wireless Internet network available today, WaveRider is well positioned to take a leadership position in the fixed wireless access market. Further, cost advantages are derived from operating in the unlicensed frequencies and result in one of the only viable and profitable wireless Internet networks available to service providers today.

WaveRider's executive offices are located at 255 Consumers Road, Suite 500, Toronto, Ontario, Canada, M2J 1R4. WaveRider's telephone number is (416) 502-3200 and its Web Site address is www.waverider.com.

WaveRider's Historical Development

WaveRider was originally incorporated under the laws of the State of Nevada on August 6, 1987, as Athena Ventures Inc. By the end of 1996, the Company had become inactive but was still listed on the OTC Bulletin Board.

In May 1997, the Company completed the acquisition of Major Wireless through a share exchange and entered into an escrow arrangement which restricted the conversion of the preferred shares, received by the former stockholders of Major Wireless, into common stock until certain performance milestones were achieved. Subsequently, the name was changed to WaveRider Communications Inc. and Major Wireless Inc.'s name to WaveRider Communications (Canada) Inc.

On June 11, 1999, WaveRider acquired Transformation Techniques, Inc. or TTI through a merger with WaveRider's newly created subsidiary WaveRider Communications (USA) Inc. On October 1, 2000, WaveRider acquired ADE Network Technology Pty Ltd. or ADE of Melbourne, Australia, a privately held wireless infrastructure company. Subsequently, ADE's name was changed to WaveRider Communications (Australia) Pty Ltd. On July 2, 2003, WaveRider acquired Avendo Wireless Inc, a privately held wireless development company.

WaveRider's Business

WaveRider designs, develops, markets and supports fixed wireless Internet access products. WaveRider's products are designed to deliver efficient, reliable, and cost-effective solutions to bring high-speed Internet access to markets around the world.

WaveRider is focused on providing the solution to the "last mile" problem faced by traditional wired telecommunications services: how to profitably build out a network that provides the level of services demanded by end users. In medium to small markets, and in areas of the world with limited telecommunications infrastructure, the cost to install or upgrade wired services to provide the level of access customers expect can be prohibitive.

WaveRider believes that its fixed wireless Internet access products are faster and less expensive to deploy than traditional wired services, with a lower cost-per-user to install, deploy and manage.

WaveRider's wireless network products are designed to operate in the license-free ISM radio spectrum, which facilitates a more rapid and low-cost market introduction for service providers than for licensed or hardwire solutions. WaveRider's products utilize direct sequence spectrum or DSS communications, which ensures high speed, reliable, secure, low-interference communications.

WaveRider's Products

WaveRider's current product portfolio includes the Last Mile Solution or LMS product line and the Network Communications Links or NCL product line. These product families are designed to deliver scalable, high-speed, fixed wireless Internet access to businesses, home offices and residential users. Both WaveRider's LMS and NCL product families include WaveRider's proprietary patent-pending technologies developed at WaveRider's research and development facility.

Last Mile Solution

The Last Mile Solution systems are designed to enable service providers to deliver high-speed Internet access to both business and residential customers. Operating in the license-free 900 MHz spectrum the LMS delivers data throughput speeds up to 2.0 Mbps and delivers non-line-of-sight communication between the communications access point and the end-user modem. This eliminates the need for an external antenna and thereby permits the end-user to self install the equipment at their office or home. WaveRider's non-line of-sight capability significantly reduces the time and cost of installations.

The LMS supports a variety of services including Internet access for Voice over IP, e-mail, large file transfers, web browsing, streaming audio and streaming video. The LMS is optimized for Internet Protocol or IP Networks. Connectivity is provided to network users via an LMS end user modem designed specifically for business or residential use.

The LMS is designed to be highly scalable, allowing network operators to begin with a small initial network and gradually build out a larger network with more users over time. There are no limits as to the number of network subscribers that can be supported by an LMS network due to its cellular like architecture which allows for the efficient re-use of radio channels.

NCL Products

The NCL product family is a series of wireless bridges and routers designed specifically for use by Internet service providers, network managers and information technology managers. Offering point-to-point and point-to-multipoint line of sight wireless connectivity in the 5.8GHz and 900MHz license-free frequency bands, WaveRider's NCL products can be used to establish wide area networks and building-to-building links. The NCL can connect a single computer or computer network to other single computers or computer networks.

NCL5000 Series

WaveRider's NCL5000 Series of 5.8 GHz bridge/routers with OFDM technology is an ideal solution for point-to-point backhaul and enterprise applications. With data rates of up to 72 Mbps, the NCL5000 Series supports heavy user traffic including large data files, video, MP3 files and other high-bandwidth applications such as streaming multimedia. The NCL5000's advanced OFDM technology offers the NLOS characteristics needed for successful wireless deployments. With increased spectral frequency and multiple, non-overlapping channels, OFDM is much more immune to multi-path problems and more resistant to potential interferers than other wireless technologies. Equipped with a 400 mW radio, the NCL5000 outperforms other 5.8 GHz products in its class.

NCL1900

WaveRider launched the NCL1900 in May 2003. The NCL1900 delivers high speed wireless connections for LAN-to-LAN and LAN-to-Internet connectivity, on a non-line of sight basis, in the 900MHz license-free frequency band. The NCL1900 features WaveRider's proprietary dynamic polling algorithm, which drastically improves performance in point-to-multipoint connections, eliminating the frequent packet collisions inherent with CSMA/CA. WaveRider's Dynamic Polling MAC also alleviates "hidden node" and "near-far" problems associated with 802.11-based systems.

WaveRider's Market

The market for WaveRider's fixed wireless access products is driven by the worldwide demand for Internet access as well as the increasing demand for high speed Internet access. WaveRider's target market in North America is comprised of cities with a population of fewer than 150,000, suburban areas of larger cities and industrial parks. In these markets, WaveRider's products address the demands of organizations and consumers who require broadband access to the Internet, but do not have access to cable or digital subscriber line connections from traditional service providers.

In many international markets, the telecommunications infrastructure is inadequate or unavailable for basic Internet access. There are large parts of less developed regions in India, Africa, Southeast Asia and South America that have only limited and high cost Internet access. In these markets, WaveRider's wireless products have a significant cost advantage over wired technologies. Accordingly, WaveRider believes that its international target markets are potentially even broader than WaveRider's North American target markets.

Internet access prices can be broken down into three components: access equipment, Internet access provision and telephone service charges. In relative terms, the costs to get connected are much higher in developing countries. While prices may not differ drastically in absolute terms, there is a large gap between high and low income countries when costs relative to per capita income are considered. In WaveRider's view, fixed wireless access technology is well positioned to bridge the gap between those who have access to high-speed services and those who do not, and to provide the means to overcome the obstacles to gain basic access to the Internet. WaveRider believes there are significant advantages, such as reduced cost and faster deployment, to WaveRider's fixed wireless access technology over traditional wired access.

In summary, the key demand drivers for fixed wireless access include:

· Growth in the number of Internet users world wide,

· Growing demand for high speed Internet access,

· Scarcity of access technologies that are capable of efficiently and economically delivering more than 1 Mbps,

· Lack of wireline infrastructures in developing countries, and

· Lack of suitable broadband access technologies in rural and suburban areas in North America.

In meeting these market requirements, WaveRider's fixed wireless access product line offers several benefits as a communications technology:

· Instant blanket coverage without digging up streets or leasing capacity from competitors,

· A pay-as-you-grow deployment model, which allows for low-cost market entry with incremental costs matched to incremental revenues,

· Bandwidth increments that address the requirements of small and mid-size businesses,

· Point-to-multipoint technology allowing for burstable, bandwidth on demand services, which are specially suited towards a data-centric environment,

· Wireless technology which enables those who do not have access to copper, coaxial or fiber optic wire to participate in the high-speed Internet access market,

· Significant cost advantages through the use of license-free radio frequencies, and

· Easy to set up, non-line-of-sight modems resulting in further significant cost savings by avoiding expensive truck rolls to install customer premise equipment.

Currently, WaveRider's products operate in the unlicensed spectrum, specifically 900 MHz and 5.8 GHz. WaveRider believes that its 900 MHz products in particular could enjoy wide acceptance because of their non-line-of-sight and easy to set up features. Deployments that combine business and consumer subscribers can be shown to offer a viable and profitable business case for service operators.

WaveRider's Market Strategy

WaveRider believes that it is in a position to meet the Internet access needs of organizations and consumers in North America and abroad. In North America, WaveRider's products address the demands of users who require broadband access to the Internet, but do not have access to cable or digital subscriber line connections from traditional service providers. These customers are typically found in smaller cities in North America, and in most suburban and semi-rural areas where there are few Internet access options other than traditional telephone dial-up connections.

In many international markets, the basic telecommunications infrastructure is inadequate or unavailable for basic Internet access. In these markets, WaveRider's wireless products have a significant cost advantage over wired technologies. In addition, they can be deployed rapidly and easily maintained.

WaveRider's market approach uses a direct and indirect sales model consisting of strategic industry partnerships and key relationships. WaveRider markets directly to larger Internet service providers, telephone companies (including competitive local exchange carriers, independent local exchange carriers and independents), cellular providers and emerging carriers (municipal governments and power utilities). WaveRider also markets indirectly through channel partners including distributors, value added resellers and system integrators. In some international markets, WaveRider expects to form alliances with local partners who will provide sales, support and installation services for LMS systems.

The LMS system provides an attractive and profitable business model for operators. WaveRider's system enables the operator to provide high-speed wireless Internet access to both the business and consumer/residential markets. Also, the system's scalability allows an operator to launch a wireless network with a relatively small investment and grow the network as the number of subscribers increase.

Target Customers

Wireless Carriers - Internet access provides wireless carriers with the opportunity to expand their service offerings and revenue base. Wireless carriers are an attractive target market for WaveRider because they have wireless expertise and an existing infrastructure that can be used to build a wireless Internet access service using WaveRider's equipment.

Rural cellular providers in the United States provide the largest potential in this segment. There are approximately 428 Rural Service Areas in the United States. The cost to develop and build an advanced rural communication network infrastructure is substantial. WaveRider's systems enable the rural cellular providers to establish a wireless Internet access service to meet the demand for broadband services at a relatively low cost per subscriber.

Wireline Carriers (Independent Telephone Companies) - Independent regional telephone companies offer a significant potential market for WaveRider's wireless service package. WaveRider is attracted to this type of company because it services a market that has an unmet need for broadband services and is challenged by expanding the range of services to its customers.

In the United States there are nearly 1,000 independent telephone companies ranging in size from fewer than 50 customers to more than 50,000. These companies provide telephone service to nearly five million rural Americans. In Canada there are approximately 50 independent telephone companies of which nine are municipally owned and the rest are privately owned. In addition to basic telephone service, many independents offer other communications services including cellular, paging, cable television, and Internet access services.

Several characteristics make rural communities different from urban areas. There are greater distances between centers and smaller more scattered populations. These characteristics make single lines more expensive given the longer cable loops required which reduce the advantage of volume concentration. Because of this and regulatory changes, much less upgrading and modernization has been done in rural areas.

Internet Service Providers - ISPs fall into three categories: national backbone providers, regional networks and independent service providers. Independent and regional providers act as intermediaries between the owners of the transmission networks over which Internet traffic is passed and the owners of the traffic that is available on the World Wide Web. For this reason, in the Internet service provider market, WaveRider is targeting independent and regional operators who understand that the value of incorporating a wireless strategy to enhance their position in the marketplace reduces their dependence on independent local exchange carriers.

The demand for high-speed access has provided additional challenges, opportunities and threats to Internet service providers. As telephone companies roll out digital subscriber line services and cable companies offer their own Internet access services, the independent internet service provider has an opportunity to partner with us to remain a competitive player in the high-speed access market. In regions that lack a communications infrastructure for high-speed access, WaveRider's solution provides independent and regional Internet service providers with an opportunity to satisfy the demand for high-speed Internet access. WaveRider offers additional benefits to Internet service providers. An Internet service provider can go beyond just being an access provider to becoming a communications provider with control over their own infrastructure by implementing a wireless Internet access system.

Alternative Carriers - WaveRider has seen the emergence of two new carrier segments: municipal government and power utilities.

Municipal governments are building and operating or partnering with carriers to build broadband wireless networks in order to provide broadband services to their residential and business taxpayers. The driving force behind this segment is the need to attract new taxpayers to the municipality, a task that is greatly hampered if broadband access is not available.

Power utilities (distributors, co-ops, etc.) are expanding their capabilities and deploying wireless broadband networks. These entities are utilizing existing infrastructure such as towers, right of ways, and network management systems to build out broadband networks upon which they can offer Internet access services to their customer bases.

International Sales Strategies

WaveRider's target markets outside of North America, for WaveRider's LMS product family, are predicated on spectrum availability. Most parts of South America, the Caribbean and Latin America provide the 900MHz spectrum on a license exempt basis, with rules that are compatible with WaveRider's LMS product offering.

WaveRider believes that its revenue potential in these international markets can be quite significant because the telecommunications infrastructure required for Internet access is underdeveloped. However, WaveRider recognizes that international business has longer sales cycles and requires a local presence for major LMS deals.

In 2000, WaveRider acquired ADE Network Technology Pty, LTD. in Australia, a wireless product integrator. This acquisition provided WaveRider with a base of customers and staff to exploit opportunities for the NCL product family and third party wireless products in Australia and Southeast Asia.

See Note 19 to WaveRider's attached consolidated financial statements, entitled "Segment Information", for a list of the foreign countries from which WaveRider derives revenues.

Professional Services

WaveRider's professional services group is an important component in WaveRider's sales and marketing strategy and in WaveRider's opinion, provides an important competitive advantage.

WaveRider's professional services strategy is to deliver flexible, cost effective and market driven service offerings. WaveRider believes that it is positioned to deliver this support strategy globally.

WaveRider has utilized both global and local service partnerships to provide engineering design and installation services of WaveRider's LMS and NCL products, under WaveRider's direction. Through WaveRider's systems engineers, WaveRider contracts directly with its customers for these services.

WaveRider's professional services group, coupled with WaveRider's global service partners, has the international capabilities to provide:

Application engineering;	System and program planning and implementation management;
Path survey, design and engineering;	Network engineering, operations and wireless services;
Permitting;	Civil works (engineering and construction);
Line of sight verification;	Backhaul;
Site inspection and audit;	Installation, testing and acceptance;
Structured cable installation;	Final documentation.

Manufacturing and Logistics

WaveRider has entered into long term manufacturing agreements with Solectron Corporation, or Solectron, to manufacture and package WaveRider's products. WaveRider has a long term logistics agreement with Alliance Corporation or Alliance for the pick, pack and shipment of WaveRider's products. In addition, WaveRider have a value added distributor agreement with Alliance in which they purchase products for their own account and resell WaveRider products to their customer base.

Solectron - Solectron provides a full range of global manufacturing and supply-chain management services to the world's premier high-tech electronics companies. Solectron's offerings include new-product design and introduction services, materials management, high-tech product manufacturing, product warranty and end-of-life support. Solectron, the first two-time winner of the Malcolm Baldrige National Quality Award, has a full range of industry-leading capabilities on five continents. Its headquarters are in Milpitas, California.

Through WaveRider's association with Solectron, WaveRider has the capability to meet the demands of a rapidly growing Internet market, with high quality products which are efficiently manufactured.

WaveRider provides its contract manufacturer with ongoing production forecasts to enable them to forecast and procure required parts. Under the terms of the agreement with Solectron, WaveRider has committed to assume liability for all parts required to manufacture WaveRider's forecast products for 13 weeks and all final assembly costs for the forecast products for four weeks, on a rolling basis.

Alliance Corporation (www.alliancecorporation.ca) - Alliance Corporation is a value-added distribution and logistics resource that has historically focused on the wireless communications and broadcast Industries. Since 1999, Alliance has been making substantial ongoing investments to develop a similar strength in the broadband communications industry with particular emphasis on wireless solutions. Adding skilled technical and engineering services to its offering, Alliance is positioned to support systems integrators as they develop wireless solutions for their enterprise customers, including ISPs.

Competition

There is intense competition in the data communications industry. WaveRider competes not only with other fixed wireless Internet companies, but also with companies that deliver hard-wired technologies (wire or fiber optic cable).

Competition is based on design and quality of the products, product performance, price and service, with the relative importance of each factor varying among products and markets.

WaveRider competes against companies of various sizes in each of the markets it serves. Many of these companies have much greater financial and other resources available to help them withstand adverse economic or market conditions. These factors, in addition to other influences such as increased price competition and market and economic conditions could potentially impair WaveRider's ability to compete.

WaveRider's major competitors include AirSpan, Alvarion, Motorola and Proxim.

Regulation of Wireless Communications

Currently, WaveRider's technology is deployed in the highly regulated license- free frequency bands. As such, WaveRider's products are not subject to any wireless or transmission licensing in the United States, Canada and many other jurisdictions worldwide. The products do, however, have to be approved by the Federal Communications Commission, for use in the United States, Industry Canada, for use in Canada, and other regulatory bodies for use in other jurisdictions, to ensure they meet the rigorous requirements for use of these bands.

Continued license-free operation will be dependent upon the continuation of existing government policy and, while WaveRider is not aware of any policy changes planned or expected, this cannot be assured. License-free operation of WaveRider's products in the 902 to 928 MHz and the 5.8 GHz bands are subordinate to certain licensed and unlicensed uses of the bands and WaveRider's products must not cause harmful interference to other equipment operating in the bands and must accept interference from any of them. If WaveRider should be unable to eliminate any such harmful interference, or should WaveRider's products be unable to accept interference caused by others, WaveRider or WaveRider's customers could be required to cease operations in the bands in the locations affected by the harmful interference. Additionally, in the event the 902 to 928 MHz or the 5.8 GHz bands becomes unacceptably crowded, and no additional frequencies are allocated, WaveRider's business could be adversely affected.

Research and Development

In 2003, WaveRider concentrated its efforts on sustaining engineering and product enhancement in three development areas:

- increasing the speed, reliability and user capacity of the networks to allow more users at greater throughput speeds;
- enhancing the network capabilities of the systems to support new developing applications, and
- reducing the cost of WaveRider's product offerings to provide pricing flexibility and higher margins.

During 2004, WaveRider continued these initiatives while developing new form factors for WaveRider's products to enhance outdoor installation capabilities and portability.

Research and Development expenditures in 2004, amounted to $1,666,131 compared with $996,487 in 2003.

Employees

WaveRider currently has approximately full-time 34 employees located in WaveRider's head office in Toronto, Ontario and WaveRider's sales offices and subsidiaries in the United States, Canada and Australia, as well as at WaveRider's subsidiary, JetStream Internet Services in Salmon Arm, British Columbia.

The majority of these employees are involved in the design, development and marketing of WaveRider's line of wireless data communications products.

Description Of Property

WaveRider owns no real estate or other properties. Its main offices and test sites are in Toronto, Ontario, Canada and its Australian subsidiary's head office is in Melbourne, Australia. These offices house sales, administration and research operations and are leased from unrelated parties. WaveRider maintains sales offices in Australia, Canada, and the United States. In addition, WaveRider’s subsidiary JetStream Internet Services Inc. maintains offices in Salmon Arm, British Columbia, Canada.

WaveRider's Toronto office lease was renewed in March 1, 2003 for a period of six years and three months ending May 31, 2009, its Melbourne office lease expires in March 31, 2006 and the lease for JetStream's office was renewed effective December 1, 2003, for a five-year period. WaveRider believes its existing facilities are adequate to meet its current requirements.

Cost commitments related to present leases are set forth in Note 13 "Commitments and contingencies" in the attached financial statements on page F-E21 of this proxy statement/prospectus.