

NextWave Wireless Inc.
Form S-1/A
December 29, 2006

As filed with the Securities and Exchange Commission on December 29, 2006
Registration No. 333-139440

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

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

Delaware	4899	20-5361360
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

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

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

Copies to:
Marita Makinen, Esq.
Weil, Gotshal & Manges LLP

767 Fifth Avenue
New York, New York 10153
(212) 310-8000

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

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

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

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

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

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

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.

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

Subject to Completion, Dated December 29, 2006

PROSPECTUS

4,109,744 Shares

Common Stock
par value \$0.001 per share

This prospectus relates solely to the resale of up to an aggregate of 4,109,744 shares of common stock of NextWave Wireless Inc. (“NextWave” or the “Company”) by the selling stockholders identified in this prospectus. These shares include the shares of our common stock issued, or issuable upon the exercise of warrants that were sold, to the investors identified in this prospectus.

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

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

Our shares are currently quoted on the Over-the-Counter Bulletin Board under the symbol “*NWXV.OB*.” Our common stock has been approved for listing on The Nasdaq Global Market under the ticker symbol “WAVE” and we anticipate that our listing will be effective on January 3, 2007.

Investing in our common stock involves significant risks. See “Risk Factors” beginning on page 7 to read about factors you should consider before buying shares of our common stock.

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

Prospectus dated December , 2006

TABLE OF CONTENTS	Page
PROSPECTUS SUMMARY	1
RISK FACTORS	7
SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS	23
USE OF PROCEEDS	24
DIVIDEND POLICY	24
CAPITALIZATION	25
SELECTED HISTORICAL FINANCIAL DATA	26
EXPLANATORY NOTE	28
INDUSTRY AND MARKET DATA	29
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	30
QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISKS	45
BUSINESS	46
MANAGEMENT	75
EXECUTIVE COMPENSATION	80
CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS	83
PRINCIPAL STOCKHOLDERS	84
SELLING STOCKHOLDERS	87
DESCRIPTION OF CAPITAL STOCK	88
PLAN OF DISTRIBUTION	91
LEGAL MATTERS	93
EXPERTS	93
WHERE YOU CAN FIND MORE INFORMATION	93
GLOSSARY OF SELECTED WIRELESS TERMINOLOGY	94

INDEX TO FINANCIAL STATEMENTS

F-1

PROSPECTUS SUMMARY

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

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

Our Company

Business Overview

We are an early-stage wireless technology company engaged in the development of next-generation mobile broadband and wireless multimedia products, technologies and services. We believe that mobile broadband represents the next logical step in the evolution of the Internet and that demand for mobile broadband will transform the global \$500 billion wireless communications industry from one driven primarily by circuit switched voice to one driven by IP based broadband connectivity. We expect that mobile WiMAX, a wireless broadband standard utilizing a cellular architecture to deliver fully-mobile and high quality fixed voice and data services, will play a major role in enabling the widespread delivery of mobile broadband services. We intend to focus our business activities on developing WiMAX products and other technologies to extend the broadband experience beyond the home or office and allow people to remain connected to the information and content they need wherever they go.

We have organized our product, technology and service development activities into three major initiatives:

WiMAX Technology Development . Led by the Advanced Technology Group, a part of our NextWave Broadband subsidiary, we are developing WiMAX chipsets, base station components, and terminal device reference designs to enable integrated local communications networks (commonly called local area networks, or LANs) and geographically dispersed communications networks (commonly called wide area networks, or WANs) wireless broadband solutions. A key design objective of our products and technologies is to extend the ability of mobile WiMAX to cost-effectively handle the large volume of network traffic that we believe next-generation wireless multimedia applications such as mobile television, high-resolution streaming video, and real-time gaming will generate. By enabling mobile WiMAX networks to simultaneously operate over multiple frequency bands, by implementing a layered network architecture, and by developing integrated WiMAX/Wi-Fi solutions, we expect that our product line will significantly enhance the performance and economics of fixed and mobile WiMAX networks. We intend to sell and/or license our WiMAX products and technologies to network infrastructure and device manufacturers and network operators worldwide.

Mobile WiMAX Network Solutions . To stimulate demand for our products, we have accumulated a spectrum footprint across the U.S. covering a population of over 247 million people, or POPs. This spectrum footprint includes 154 AWS licenses for which we were declared the high bidder in a recent FCC auction. Led by the Network Solutions Group, which operates within our NextWave Broadband subsidiary, we intend to work with network partners who are interested in funding the deployment of shared mobile WiMAX networks that operate on our licensed spectrum and utilize network and device equipment which incorporate our products and technologies. Potential network partners include wireless service providers, cable operators, Internet service providers, and content distributors. To

demonstrate the features and capabilities of our network solutions, we intend to deploy a mobile WiMAX trial network in Henderson, Nevada.

Wireless Multimedia Software . Through our PacketVideo subsidiary, we intend to be a leading provider of the next generation of device-embedded multimedia software needed to enable the efficient capture, transmission and manipulation of multimedia content by fourth generation (4G) broadband-enabled mobile devices. At present, PacketVideo is a global provider of embedded multimedia software for mobile phones. PacketVideo licenses its multimedia software to some of the largest wireless handset manufacturers and wireless carriers in the world, who use it to transform a mobile phone into a feature-rich multimedia device that provides people with the ability to stream, download and play video and music, receive live TV broadcasts and engage in two-way video telephony. We also expect that global deployments of mobile broadband networks will create a unique opportunity for software developers such as PacketVideo to create innovative multimedia software applications optimized for the mobile environment.

We believe the combination of our products and technologies, our device embedded multimedia software products, and our spectrum assets represent a unique platform to provide advanced wireless broadband solutions to the market.

Competitive Strengths

A highly accomplished team of wireless technology professionals . Our technology development efforts are led by a team of highly skilled senior engineers with broad experience in the development of wireless communications technologies and solutions. Team members have led major development initiatives at leading technology companies, such as Intel, Motorola, Nokia, QUALCOMM and Texas Instruments. Together they have been instrumental in developing some of today's dominant wireless technologies. Several members of our team, including our Chief Executive Officer, Allen Salmasi, played key roles at QUALCOMM in the development and successful commercialization of the CDMA wireless technology standard used worldwide today. In addition, our senior team has extensive experience in building and operating wireless networks for companies such as Airtouch, AT&T Wireless, McCaw Cellular, Nextel and SprintPCS.

Significant capital resources . As of September 30, 2006, we had \$222.2 million of cash, cash equivalents and short-term investments. While we anticipate that the costs of our research and development activities will increase as we approach the commercial deployment of our wireless broadband products and technologies, we believe our working capital position provides us with significant flexibility to continue funding our research and development activities and our operating losses. To the extent that attractive opportunities to acquire complimentary businesses or additional wireless broadband spectrum arise, we may need to raise additional funds to capitalize on such opportunities.

Attractive wireless spectrum portfolio, well-suited to support mobile WiMAX. To date, we have acquired licensed spectrum and entered into long-term leases that provide us with exclusive leasehold access to licensed spectrum throughout the U.S. Our spectrum portfolio, including 154 AWS licenses for which we were declared high bidder at a recent FCC auction, covers approximately 247 million persons, or POPs, across the U.S., of which licenses covering 136.4 million POPs are covered by 20 MHz or more of spectrum, and licenses covering an additional 96 million POPs are covered by at least 10 MHz of spectrum. In addition, a number of markets, including licenses covering 11.9 million POPs in New York, are covered by 30 MHz or more of spectrum. We believe that this spectrum footprint, which includes all top ten and 21 of the top 25 cities in the U.S., makes us attractive to potential network partners. Our spectrum resides in the 2.3GHz WCS, 2.5GHz BRS/EBS, and 1.7/2.1 GHz AWS bands and offers propagation and other characteristics suitable for use with mobile WiMAX.

Acquisitions and Strategic Investments

Since our emergence as a wireless technology company, we have completed several acquisitions and strategic investments, including the acquisition of PacketVideo Corporation for \$46.6 million in July 2005, and transactions to acquire licensed spectrum rights, including subsequent lease obligations for amounts totaling \$421.1 million, including our recent acquisition of 28 spectrum licenses in Germany, our acquisition of 154 spectrum licenses through the AWS action for an aggregate bid of \$115.5 million and our acquisition of WCS Wireless Inc., which holds spectrum covering 188.8 million persons, or POPs, in the Central, Western, and Northeastern United States, for \$160.5 million. Our acquisitions and investments are described in this registration statement in greater detail under the heading "Business - Our History".

At the time of our emergence on April 13, 2005, we had cash and investment balances of \$555.1 million. As of September 30, 2006, our cash and investment balances were \$222.2 million, reflecting the use of \$418.8 million for the acquisition of wireless spectrum licenses and subsequent lease obligations, \$77.3 million paid into a restricted cash account securing our 7% Senior Secured Notes, \$56.1 million for business acquisitions and a joint venture investment, \$18.3 million for the acquisition of property and equipment, and \$57.1 million for operating activities, including

research and development costs. On July 17, 2006, we issued senior secured notes due 2010 in the aggregate principal amount of \$350.0 million. The notes were issued at a fifteen percent (15%) original issue discount, resulting in gross proceeds of \$297.5 million. We will be obligated to pay the secured notes at their full face value of \$350.0 million, and the original issue discount will provide the note purchasers with a yield that is in addition to the coupon rate upon repayment of the notes. In connection with the notes placement, we issued 4,110,382 warrants to purchase shares of our common stock at an exercise price of \$0.01 per share. The notes placement provided us with net cash proceeds of \$295.0 million available for the sole purpose of financing spectrum acquisitions and leases. The entire proceeds were used for the acquisition of WCS Wireless, Inc. for \$160.5 million, the acquisition of two new EBS leases for \$22.1 million and for the majority of the funding for the acquisition of 154 AWS licenses for \$115.5 million.

Risks Affecting Us

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

Capital Stock

Our authorized capital stock consists of 400,000,000 shares of common stock, par value \$0.001 per share and 25,000,000 shares of preferred stock, par value \$0.001 per share. As of December 1, 2006 we will have 82,207,649 shares of common stock outstanding held by approximately 1,400 holders of record. As of such date, there will be 17,319,249 shares of common stock reserved for future issuance, of which 14,873,435 will be reserved for issuance upon the exercise of granted and outstanding options and warrants and 2,445,814 will be available for future option grants.

Our shares are currently quoted on the Over-the-Counter Bulletin Board under the symbol “NWXVV.OB.” Our common stock has been approved for listing on The Nasdaq Global Market under the ticker symbol “WAVE” and we anticipate that our listing will be effective on January 3, 2007.

Corporate Information

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

THE OFFERING

Common stock outstanding prior to this offering, excluding the shares underlying the warrants	82,207,649 shares
Common stock being offered for resale to the public by the selling stockholders	4,109,744 shares
Common stock to be outstanding after this offering(1)	86,317,393 shares
Total proceeds raised by offering	We will not receive any proceeds from the resale of our common stock pursuant to this offering. We may receive proceeds upon the exercise of the warrants to the extent such warrants are exercised for cash.
Use of proceeds	Any proceeds we may receive will be used to meet our working capital needs and general corporate purposes.
Over-the-Counter Bulletin Board symbol	NWXVV.OB
Nasdaq Global Market symbol	WAVE
Risk factors	See “Risk Factors” and the other information included in this prospectus for a discussion of risk factors you should carefully consider before deciding to invest in our common stock.

(1) The number of shares of our common stock to be outstanding after this offering is based on the number of shares of our common stock outstanding as of December 1, 2006. This number does not include, as of December 1, 2006:

- 10,263,053 shares of our common stock issuable upon exercise of options outstanding, at a weighted average exercise price of \$6.00 per share;
- 2,445,814 shares of our common stock are reserved for issuance under our NextWave Wireless Inc. 2005 Stock Incentive Plan and the CYGNUS Communications, Inc. 2004 Stock Option Plan; and
- 500,000 shares of our common stock issuable upon exercise of warrants issued to Station 4, LLC at an exercise price of \$6.00 per share.

Summary Historical Financial Data

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

Set forth below is summary historical financial data, at the dates and for the periods indicated, for NextWave Wireless LLC, which holds all of our operating subsidiaries and is our direct wholly-owned subsidiary. On November 13, 2006, we implemented a new corporate holding company structure in order to facilitate a planned Nasdaq listing. The holding company structure was implemented through the merger of a wholly-owned subsidiary of NextWave Wireless Inc. with and into NextWave Wireless LLC. As a result of this corporate conversion merger, we issued shares of our common stock to holders of NextWave Wireless LLC’s membership units in exchange for all of the outstanding membership units of NextWave Wireless LLC, with NextWave Wireless LLC unitholders receiving one share of NextWave Wireless Inc. common stock for every six membership units of NextWave Wireless LLC that they held. This prospectus does not include financial statements of NextWave Wireless Inc. because it was only recently formed for the purpose of effecting our new corporate holding company structure, will hold no significant assets and will not engage in any operations.

The following summary consolidated statement of operations data for the three and nine months ended September 30, 2006, for the three months ended September 30, 2005 and for the period from the date of our inception as a new wireless technology company pursuant to the plan of reorganization of Old NextWave Wireless (April 13, 2005) to September 30, 2005, and the summary consolidated balance sheet data as of September 30, 2006 was derived from our unaudited condensed consolidated financial statements and should be read in conjunction with our unaudited condensed consolidated financial statements and Management’s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this registration statement. Our unaudited condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and notes thereto, which include, in the opinion of our management, all adjustments (consisting of normal recurring adjustments), necessary for a fair presentation of the information for the unaudited interim periods. Our historical results for any prior or interim period are not necessarily indicative of results to be expected for a full fiscal year or for any future period.

The following summary consolidated statement of operations data for the period from the date of our inception (April 13, 2005) to December 31, 2005 and summary consolidated balance sheet data as of December 31, 2005 was derived from our audited consolidated financial statements and should be read in conjunction with our audited consolidated financial statements and Management’s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this registration statement.

	Three Months Ended September 30, 2006 (1)	Three Months Ended September 30, 2005	Nine Months Ended September 30, 2006 (1)	Inception (April 13, 2005) to September 30, 2005 (2)	Inception (April 13, 2005) to December 31, 2005 (2)
<i>(in thousands)</i>					
Consolidated Statement of Operations Data (3):	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
Revenues	\$ 8,051	\$ 1,202	\$ 22,055	\$ 1,350	\$ 4,144
Loss from operations	(25,860)	(20,220)	(67,006)	(26,357)	(55,687)
Net loss	(31,305)	(16,653)	(65,537)	(19,601)	(45,952)
	September 30,	December 31,			

	2006 (unaudited)	2005
Consolidated Balance Sheet Data (3):		
Cash and cash equivalents	\$ 25,371	\$ 93,649
Short-term investments	196,801	365,582
Deposits for wireless spectrum bids (4)	142,866	5,400
Restricted investments - non current (5)	76,792	—
Wireless spectrum licenses, net	374,137	45,467
Goodwill	32,829	24,782
Other intangible assets, net	16,306	18,100
Total assets	905,399	579,774
Long-term obligations, less current portion	292,310	14,934
Total members' equity	507,906	539,364

- (1) Our Board of Managers approved a change, effective January 1, 2006, in our fiscal year end and quarterly reporting periods from quarterly calendar periods ending on December 31 to a 52-53 week fiscal year ending on the Saturday nearest to December 31 of the current calendar year or the following calendar year. The three and nine month periods ended September 30, 2006 includes 13 and 39 weeks, respectively.

- (2) On April 13, 2005, pursuant to the plan of reorganization of the NextWave Telecom group, the equity securities of NextWave Wireless LLC were distributed to the NTI equity holders and we were reconstituted as a company with a new capitalization and a new wireless technology business plan. A summary of the assets and liabilities contributed to NextWave on April 13, 2005 is provided in the Notes to Consolidated Financial Statements included elsewhere in this registration statement. For more information on our emergence as a new wireless technology company, see "Business-Our History."
- (3) The results of operations of PacketVideo Corporation and Inquam Broadband Holding, Inc. are included as of July 19, 2005 and January 6, 2006, the respective dates of the acquisitions, which affects the comparability of the Summary Historical Financial Data. During 2006, we also completed other acquisitions that were not significant and their results of operations have been included from their respective dates of acquisition. See Note 3 to the Notes to Condensed Consolidated Financial Statements included elsewhere in this registration statement.
- (4) In July 2006 we paid a \$142.8 million deposit to the FCC to qualify for the AWS auction. On September 20, 2006, we were declared the winning bidder for 154 AWS licenses for an aggregate bid of \$115.5 million. Accordingly, \$27.3 million of our initial deposit was not used and was returned to us in October 2006.
- (5) On July 17, 2006, we consummated our secured notes private placement, the terms of which require us to retain \$75.0 million of our cash, cash equivalents and investments from funds other than the proceeds of the notes in a restricted collateral account.

RISK FACTORS

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

Risks Relating to Our Business

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

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

We are in the early stages of the implementation of our business plan. If we are not able to successfully implement all key aspects of our business plan, including licensing, developing and deploying the technologies required to provide WiMAX services to network operators, we may not be able to provide the type and quality of services required to achieve our business objectives. In addition, we may not be able to develop a customer base sufficient to generate adequate revenues. If we are unable to successfully implement our business plan and grow our business, either as a result of the risks identified in this section or for any other reason, we may never achieve profitability, in which event our business would fail.

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

Our business and operations have expanded rapidly since the completion of our reorganization in April 2005. For example, from April 13, 2005 through December 1, 2006, the number of our employees has increased from 50 to 497 as a result of organic growth and acquisitions. We acquired PacketVideo in July 2005 and CYGNUS Communications in February 2006 and we are still in the process of integrating these businesses. To support our expanded research and development activities for our mobile WiMAX business and the growth in our PacketVideo business, we must continue to successfully hire, train, motivate and retain our employees. We expect that significant further expansion of our operations and employee base will be necessary. In addition, in order to manage our expanded operations, we will need to continue to expand our management, operational and financial controls and our reporting systems and procedures. We will also need to retain management, key employees and business partners of PacketVideo and CYGNUS. All of these measures will require significant expenditures and will demand the attention of management. Failure to fulfill any of the foregoing requirements could result in our failure to successfully manage our intended growth and development, and successfully integrate PacketVideo and CYGNUS, which would adversely affect our ability to develop and commercialize our products and achieve profitability.

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

We operate in an extremely competitive market and we expect such competition to increase in the future. Set forth below is a brief description of the competitive environment for each of our divisions and PacketVideo:

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

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

Network Solutions Group - The mobile WiMAX networks that we intend to build in partnership with service providers will be designed to provide end-user services that directly compete with some of the largest incumbent wireless operators in the world. These operators have already achieved high levels of market penetration, have established broad product and service distribution networks, and have developed high levels of brand recognition. Our shared network partners will also have to compete with commercial 802.11 Wi-Fi networks as well the growing number of municipal wireless broadband networks being sponsored by some major cities across the country such as San Francisco and Philadelphia. These municipal networks, which are often based on the popular 802.11 Wi-Fi standard, are expected to offer individuals with low-cost, nomadic Internet access that would compete with the fully mobile wireless broadband services our networks are intended to provide. Finally, our shared network partners may need to compete against emerging wireless multimedia broadcast networks such as Crown Castle's Modeo and QUALCOMM's Media Flow networks.

In addition, a growing number of incumbent wireless network operators, such as Sprint-Nextel, are developing MVNO business relationships with service provider companies such as Internet service providers and cable operators. These pre-existing MVNO relationships could prevent some of these service provider companies from entering into shared network arrangements.

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

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

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

Part of our strategy is to pursue acquisitions of and investments in businesses and technologies to expand our business and enhance our technology development capabilities. In addition to our CYGNUS and PacketVideo acquisitions, we have made investments in a number of companies including Hughes Systique and Inquam Broadband, and anticipate future investments in other companies. The negotiation of potential acquisitions and investments, as well as the integration of acquired businesses or technologies, could divert our management's time and resources. Acquired businesses and technologies may not be successfully integrated with our products and operations. In addition, our investments, particularly minority investments, may not give us access to new technologies or provide us with business relationships with the other company. We may not realize the intended benefit of any acquisition or

investment. Our acquisitions could result in substantial cash expenditures, potentially dilutive issuances of equity securities, the incurrence of debt and contingent liabilities, a decrease in our profit margins and amortization of intangibles and potential impairment of goodwill. In addition, our investments could result in substantial cash expenditures, fluctuations in our results of operations resulting from changes in the value of the investments and diversion of management's time and attention. If acquisitions disrupt our operations or if our investments are not successful, our business, financial condition and results of operations may suffer.

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

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

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

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

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

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

The launch of our WiMAX network in Henderson, Nevada may be delayed or may not be successful, which could harm our business.

We are in the process of building a WiMAX trial network in Henderson, Nevada. We expect this trial network to be operational in 2007 and intend to utilize the network to showcase our advanced IP core network, next generation IP backhaul, NMS and back office system capabilities and to provide potential network partners an opportunity to evaluate the performance of mobile WiMAX technology. We plan to seek network partners to expand this network into a commercial mobile WiMAX network that will cover the greater Las Vegas metropolitan region and serve as a platform to support the initial deployment of our products. The trial network and the commercial network development may not be successful or may be delayed or more costly than anticipated. If either launch is delayed or not successful, the commercial roll-out of our wireless broadband technologies and products may be delayed, sales and licenses of our WiMAX network technologies and products may be harmed and our ability to attract a network partner could be adversely affected. In addition, we may need to dedicate substantial additional resources and management time and attention to the launch of the trial and commercial networks, which could limit or delay our ability to execute other aspects of our business plan.

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

Our Network Solutions Group intends to build and operate shared WiMAX networks in partnership with wireless service providers, cable operators, multimedia content distributors, applications service providers and Internet service providers. We have not entered into any of these strategic relationships to date and we may not be able to negotiate these relationships on acceptable terms, or at all. If we are unable to establish and maintain these strategic relationships, we may have to modify our plans for the Network Solutions Group and seek another source of value for our spectrum licenses.

The dependence of our Network Solutions Group on future strategic relationships is subject to a number of risks, including:

- the inability to control the amount and timing of resources that our strategic partners devote to their activities;
- the possibility that our strategic relationship partners could separately move forward with competing products and services developed either independently or with one of our competitors;
- the possibility that our strategic relationship partners may experience financial or technical difficulties;
- business combinations or other changes in our strategic relationship partners business strategy may impact their willingness or ability to complete its obligations under any such relationship; and
- changes in regulations could negatively impact the business environment in which such strategic relationship partners operate.

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

While we estimate that our working capital will be sufficient to fund our research and development activities and our operating losses at least through 2007, we may need to secure significant additional capital in the future to implement changes to, or expansions of, our business plan and to become cash flow positive. We may also require additional cash

resources to pursue investments or acquisitions, including investments in or acquisitions of other technologies, businesses or spectrum licenses. Sources of additional capital may include public or private debt and equity financings. In addition, we have completed a private placement of senior secured notes that provided us with net cash proceeds of \$295.0 million available for the sole purpose of financing spectrum acquisitions and leases. The entire proceeds were used for the acquisition of WCS Wireless, Inc. for \$160.5 million, the acquisition of two new EBS leases for \$22.1 million and for the majority of the funding for the acquisition of 154 AWS licenses for \$115.5 million. To the extent that other attractive opportunities to acquire complimentary businesses or additional spectrum arise, we may need to raise additional funds to capitalize on such opportunities.

Risks Related to Our PacketVideo Business

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

Reliance on a limited number of mobile phone and device manufacturers and wireless carriers . For the nine months ended September 30, 2006, PacketVideo's sales to Verizon Wireless accounted for 50% of our revenues. For the period from our inception (April 13, 2005) through December 31, 2005 PacketVideo's sales to Verizon Wireless, Fujitsu and Nokia accounted for 22%, 14% and 11%, respectively, of our revenues. Aggregated accounts receivable from Verizon Wireless and Microsoft accounted for 58% and 10%, respectively, of total gross accounts receivable at September 30, 2006. We expect that our PacketVideo subsidiary will continue to generate a significant portion of its revenues through a limited number of mobile phone and device manufacturers and wireless carriers for the foreseeable future, although these amounts may vary from period-to-period. If any of these customers decides not to embed PacketVideo software into their mobile phones and devices or otherwise reduces the amount of PacketVideo software they embed in their mobile phones or devices generally, our PacketVideo revenues and results of operations could be materially adversely affected.

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

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

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

- consolidation among manufacturers or wireless carriers or the emergence of new manufacturers or wireless carriers that do not license PacketVideo software.

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

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

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

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

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

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

- potential misappropriation of our intellectual property.

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

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

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

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

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

As the number of competitors in our market increases and the functionality of our products is enhanced, we may become subject to claims of infringement or misappropriation of the intellectual property rights of others. Any claims, with or without merit, could be time consuming to address, result in costly litigation, divert the efforts of our technical

and management personnel or cause product release or shipment delays, any of which could have a material adverse effect upon our ability to commercially launch our products and technologies and on our ability to achieve profitability. If any of our products were found to infringe on another company's intellectual property rights or if we were found to have misappropriated technology, we could be required to redesign our products or license such rights and/or pay damages or other compensation to such other company. If we were unable to redesign our products or license such intellectual property rights used in our products, we could be prohibited from making and selling such products. In any potential dispute involving other companies' patents or other intellectual property, our customers could also become the targets of litigation. Any such litigation could severely disrupt the business of our customers, which in turn could hurt our relations with our customers and cause our revenues to decrease.

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

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

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

Our future success depends largely upon the continued service of our board members, executive officers and other key management and technical personnel, particularly Allen Salmasi, our Chairman and Chief Executive Officer. Mr. Salmasi has been a prominent executive and investor in the technology industry for over 20 years, and the Company has benefited from his industry relationships in attracting key personnel and in implementing acquisitions and strategic plans. In addition, in order to develop and achieve commercial deployment of our WiMAX products and technologies in competition with well-established companies such as Intel, QUALCOMM and others, we must rely on highly specialized engineering and other talent. Our key employees represent a significant asset, and the competition for these employees is intense in the wireless communications industry. We continue to anticipate significant increases in human resources, particularly in engineering resources, through 2007. If we are unable to attract and retain the qualified employees that we need, our business may be harmed.

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

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

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

Risks Relating to Government Regulation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

utilization of our licensed spectrum and our operational costs.

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

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

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

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

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

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

Risks Relating to An Investment in Our Common Stock

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

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

- significant research and development costs;
- research and development issues and delays;
- the timing and costs of our Las Vegas launch;
- the financial results of our PacketVideo subsidiary;
- the timing of entering into network partner arrangements and the success of these partnerships;
- spectrum acquisition costs;
- manufacturing issues and delays;
- fluctuating market demand for WiMAX services;
- impact of competitive products, services and technologies;
- changes in the regulatory environment;
- the cost and availability of network infrastructure; and
- general economic conditions.

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

Substantially all of our stock is or will be eligible for future sale which could depress the price of our stock.

Sales of substantial amounts of our common stock, or the perception that a large number of shares will be sold, could depress the market price of our common stock. Most of our stockholders are former stockholders of NextWave Telecom Inc. that received shares of our stock in connection with our emergence from bankruptcy. Accordingly, these stockholders may wish to sell their shares of stock upon receipt or shortly thereafter and may not be long-term investors in the company. After the effectiveness of this registration statement and assuming the exercise of all the outstanding warrants, 85,940,719 shares, representing 99.6% of the issued and outstanding shares, will be freely tradeable, subject to the volume and other restrictions of Rule 144 under the Securities Act of 1933, as amended (the "Securities Act") imposed upon stockholders deemed to be our affiliates.

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

Allen Salmasi, our executive officers and other members of our Board of Directors will beneficially own or control approximately 53.6% of our common stock. Accordingly, Mr. Salmasi and the other members of the Board of Directors will be able to significantly influence matters that require stockholder approval, including the election of directors, any merger, consolidation or sale of all or substantially all of our assets or other significant corporate transactions. Our controlling stockholders may have interests that differ from your interests and may vote in a way with which you may disagree and which may be adverse to your interests. Corporate action may be taken even if other stockholders oppose them. These stockholders may also delay or prevent a change of control of us, even if that change of control would benefit our other stockholders, which could deprive our stockholders of the opportunity to receive a premium for their shares. The significant concentration of ownership of our common stock may adversely affect the trading price of our common stock due to investors' perception that conflicts of interest may exist or arise.

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

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

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

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

- announcements concerning us or our competitors, including the selection of mobile WiMAX wireless communications technology by telecommunications providers and the timing of the roll-out of those systems;
- receipt of substantial orders or order cancellations for integrated circuits and system software products for mobile WiMAX networks by us or our competitors;
- quality deficiencies in technologies, products or services;
- announcements regarding financial developments or technological innovations;
- international developments, such as technology mandates, political developments or changes in economic policies;
- lack of capital to invest in WiMAX networks;
- new commercial products;

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

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

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

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

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

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

- our directors serve staggered, three-year terms and accordingly, pursuant to Delaware law, can only be removed with cause;
- no action can be taken by stockholders except at an annual or special meeting of the stockholders called in accordance with our bylaws, and stockholders may not act by written consent;
- our board of directors will be expressly authorized to make, alter or repeal our bylaws, and our stockholders will be able to make, alter or repeal our bylaws by a vote of 66-2/3% of the issued and outstanding voting shares;
- any vacancies on the board of directors would be filled by a majority vote of the board;
- our board of directors will be authorized to issue preferred stock without stockholder approval; and
- we will indemnify officers and directors against losses that they may incur in investigations and legal proceedings resulting from their services to us, which may include services in connection with

takeover defense measures.

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

20

The issuance of a significant amount of additional common stock would result in dilution to our existing stockholders and could reduce our earnings per share, which in turn could negatively affect the market price of our common stock.

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

As a public company, we will need to comply with Section 404 of the Sarbanes-Oxley Act of 2002, and if we fail to achieve and maintain adequate internal controls over financial reporting, our business, results of operations and financial condition could be materially adversely affected.

As a public company, our systems of internal controls over financial reporting will be required to comply with the standards adopted by the Public Company Accounting Oversight Board. We are presently evaluating our internal controls for compliance. During the course of our evaluation, we may identify areas requiring improvement and may be required to design enhanced processes and controls to address issues identified through this review. This could result in significant delays and cost to us and require us to divert substantial resources, including management time, from other activities. We have commenced a review of our existing internal control structure and plan to hire additional personnel. Although our review is not complete, we have taken steps to improve our internal control structure by hiring dedicated, internal Sarbanes-Oxley Act compliance personnel to analyze and improve our internal controls, to be supplemented periodically with outside consultants as needed. However, we cannot be certain regarding when we will be able to successfully complete the procedures, certification and attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002. If we fail to achieve and maintain the adequacy of our internal controls, we may not be able to conclude that we have effective internal controls over financial reporting in accordance with the Sarbanes-Oxley Act. Moreover, effective internal controls are necessary for us to produce reliable financial reports and are important to help prevent fraud. As a result, our failure to satisfy the requirements of Section 404 on a timely basis could result in the loss of investor confidence in the reliability of our financial statements, which in turn could harm the market value of our common stock. Any failure to maintain effective internal controls also could impair our ability to manage our business and harm our financial results.

As a result of being a public company, we will incur increased costs that may place a strain on our resources or divert our management's attention from other business concerns.

As a public company, we will incur additional legal, accounting and other expenses that we did not incur as a private company. The Exchange Act requires us to file annual, quarterly and current reports with respect to our business and financial condition, which will require us to incur legal and accounting expenses. The Sarbanes-Oxley Act requires us to maintain effective disclosure controls and procedures and internal controls for financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, significant resources and management oversight will be required. We expect the corporate governance rules and regulations of the SEC will increase our legal and financial compliance costs and make some activities more costly and time consuming. These requirements may place a strain on our systems and resources and may divert our management's attention from other business concerns, which could have a material adverse effect on our business, financial condition and results of operations. In addition, we are hiring and will continue to hire additional legal, accounting and financial staff with appropriate public company experience and technical accounting knowledge, which will increase our operating expenses in future periods.

We also expect these rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain

qualified persons to serve on our board of directors or as executive officers.

If the price of our common stock declines significantly, then our common stock may be deemed to be penny stock, which could adversely affect the liquidity of, and market for, our shares.

If our shares are considered penny stock, they would be subject to rules that impose additional sales practices on broker-dealers who sell our securities. Penny stocks generally are equity securities with a price of less than \$5.00, other than securities registered on some national securities exchanges or quoted on Nasdaq. In this event, some brokers may be unwilling to effect transactions in our shares because of the additional obligations imposed. This could adversely affect the liquidity of our common stock and the ability of investors to sell our common stock. For instance, broker-dealers must make a special suitability determination for the purchaser and have received the purchaser's written consent to the transaction prior to the sale. Also, a disclosure schedule must be prepared prior to any transaction involving a penny stock, and disclosure is required about sales commissions payable to both the broker-dealer and the registered representative and current quotations for the securities. Furthermore, monthly statements are required to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stock.

SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

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

- our limited relevant operating history;
- our ability to manage growth or integrate recent or future acquisitions;
- competition from alternative wireless technologies and other technology companies;
- our ability to develop and commercialize mobile broadband products and technologies;
- the ability of vendors to manufacture commercial WiMAX equipment and devices;
- consumer acceptance of WiMAX technology;
- the success of our WiMAX network launch in Henderson, Nevada;
- our ability to enter into and maintain network partner relationships;
- PacketVideo’s reliance on a limited number of mobile phone and device manufacturers and wireless carriers as customers;
- changes in government regulations;
- changes in capital requirements;
- any loss of our key executive officers; and
- the other risks described under “Risk Factors.”

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

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

USE OF PROCEEDS

We are registering these shares pursuant to the registration rights granted to the selling stockholders in our recent private placement. We will not receive any proceeds from the resale of our common stock under this offering. We have, however, received gross proceeds of approximately \$297.5 million from the issuances of the senior secured notes and the warrants in the private placement. Net proceeds were \$295.0 million after deducting all fees and expenses of the July 2006 private placement and this offering, which totaled \$2.5 million. The entire proceeds were used for the acquisition of WCS Wireless, Inc. for \$160.5 million, the acquisition of two new EBS leases for \$22.1 million, and for the majority of our acquisition of 154 AWS licenses for \$115.5 million.

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

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

DIVIDEND POLICY

We have never declared or paid cash dividends on our capital stock. We do not anticipate paying any cash dividends on our capital stock in the foreseeable future. We intend to retain all available funds and any future earnings to reduce debt and fund the development and growth of our business.

CAPITALIZATION

The following table sets forth our cash, cash equivalents and capitalization as of September 30, 2006, on an actual basis and on a pro forma basis to give effect to the corporate conversion as if it had occurred on that date. On November 13, 2006, the corporate conversion merger was completed and NextWave Wireless LLC became a wholly-owned subsidiary of NextWave Wireless Inc. Under the terms of the merger agreement, NextWave Wireless Inc. issued shares of its common stock to holders of NextWave Wireless LLC's membership units in exchange for all of the outstanding membership units of NextWave Wireless LLC, with NextWave Wireless LLC unitholders receiving one share of NextWave Wireless Inc. common stock for every six membership units of NextWave Wireless LLC that they held.

This table should be read in conjunction with "Use of Proceeds," "Selected Historical Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes thereto included elsewhere in this prospectus.

<i>(in thousands, except par value data)</i>	At September 30, 2006	
	Actual	Pro Forma
Cash and cash equivalents	\$ 25,371	\$ 25,371
Long-term obligations, net of current portion	\$ 292,310	\$ 292,310
Stockholders'/Members' Equity:		
Preferred stock, \$0.001 par value, 25,000 shares authorized; no shares issued and outstanding, actual and pro forma	—	—
Common stock, \$0.001 par value, 400,000 shares authorized; no shares issued or outstanding actual, 82,208 shares issued and outstanding pro forma	—	82
Additional paid-in capital	—	619,884
Membership interests; 492,583 interests issued and outstanding actual, no interests issued or outstanding pro forma	619,966	—
Accumulated other comprehensive loss	(571)	(571)
Retained deficit	(111,489)	(111,489)
Total stockholders'/members' equity	507,906	507,906
Total capitalization	\$ 800,216	\$ 800,216

SELECTED HISTORICAL FINANCIAL DATA

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

Set forth below is selected historical financial data, at the dates and for the periods indicated, for NextWave Wireless LLC, which holds all of our operating subsidiaries and is a direct wholly-owned subsidiary of NextWave Wireless Inc. On November 13, 2006, we implemented a new corporate holding company structure in order to facilitate a planned Nasdaq listing. The holding company structure was implemented through the merger of a wholly-owned subsidiary of NextWave Wireless Inc. with and into NextWave Wireless LLC. As a result of this corporate conversion merger, we issued shares of our common stock to holders of NextWave Wireless LLC’s membership units in exchange for all of the outstanding membership units of NextWave Wireless LLC, with NextWave Wireless LLC unitholders receiving one share of NextWave Wireless Inc. common stock for every six membership units of NextWave Wireless LLC that they held. Each holder of NextWave Wireless LLC’s limited liability interests own the same percentage of the outstanding equity of the Company before and immediately after the corporate conversion merger. This prospectus does not include financial statements of NextWave Wireless Inc. because it was only recently formed for the purpose of effecting our new corporate holding company structure, will hold no significant assets and will not engage in any operations.

The following selected consolidated statement of operations data for the three and nine months ended September 30, 2006, for the three months ended September 30, 2005 and for the period from the date of our inception as a new wireless technology company pursuant to the plan of reorganization of Old NextWave Wireless (April 13, 2005) to September 30, 2005, and the selected consolidated balance sheet data as of September 30, 2006 was derived from our unaudited condensed consolidated financial statements and should be read in conjunction with our unaudited condensed consolidated financial statements and Management’s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this registration statement. Our unaudited condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and notes thereto, which include, in the opinion of our management, all adjustments (consisting of normal recurring adjustments), necessary for a fair presentation of the information for the unaudited interim periods. Our historical results for any prior or interim period are not necessarily indicative of results to be expected for a full fiscal year or for any future period.

The following selected consolidated statement of operations data for the period from the date of our inception (April 13, 2005) to December 31, 2005 and selected consolidated balance sheet data as of December 31, 2005 was derived from our audited consolidated financial statements and should be read in conjunction with our audited consolidated financial statements and Management’s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this registration statement.

	Three Months Ended September 30, 2006 (1)	Three Months Ended September 30, 2005	Nine Months Ended September 30, 2006 (1)	Inception (April 13, 2005) to September 30, 2005 (2)	Inception (April 13, 2005) to December 31, 2005 (2)
<i>(in thousands)</i>					
Consolidated Statement of Operations Data (3):	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
Revenues	\$ 8,051	\$ 1,202	\$ 22,055	\$ 1,350	\$ 4,144
Loss from operations	(25,860)	(20,220)	(67,006)	(26,357)	(55,687)
Net loss	(31,305)	(16,653)	(65,537)	(19,601)	(45,952)

	September 30, 2006 (unaudited)	December 31, 2005
Consolidated Balance Sheet Data (3):		
Cash and cash equivalents	\$ 25,371	\$ 93,649
Short-term investments	196,801	365,582
Deposits for wireless spectrum bids (4)	142,866	5,400
Restricted investments - non current (5)	76,792	—
Wireless spectrum licenses, net	374,137	45,467
Goodwill	32,829	24,782
Other intangible assets, net	16,306	18,100
Total assets	905,399	579,774
Long-term obligations, less current portion	292,310	14,934
Total members' equity	507,906	539,364

- (1) Our Board of Managers approved a change, effective January 1, 2006, in our fiscal year end and quarterly reporting periods from quarterly calendar periods ending on December 31 to a 52-53 week fiscal year ending on the Saturday nearest to December 31 of the current calendar year or the following calendar year. The three and nine month periods ended September 30, 2006 includes 13 and 39 weeks, respectively.
- (2) On April 13, 2005, pursuant to the plan of reorganization of the NextWave Telecom group, the equity securities of NextWave Wireless LLC were distributed to the NTI equity holders and we were reconstituted as a company with a new capitalization and a new wireless technology business plan. A summary of the assets and liabilities contributed to NextWave on April 13, 2005 is provided in the Notes to Consolidated Financial Statements included elsewhere in this registration statement. For more information on our emergence as a new wireless technology company, see "Business-Our History."
- (3) The results of operations of PacketVideo Corporation and Inquam Broadband Holding, Inc. are included as of July 19, 2005 and January 6, 2006, the respective dates of the acquisitions, which affects the comparability of the Summary Historical Financial Data. During 2006, we also completed other acquisitions that were not significant and their results of operations have been included from their respective dates of acquisition. See Note 3 to the Notes to Condensed Consolidated Financial Statements included elsewhere in this registration statement.
- (4) In July 2006 we paid a \$142.8 million deposit to the FCC to qualify for the AWS auction. On September 20, 2006, we were declared the winning bidder for 154 AWS licenses for an aggregate bid of \$115.5 million. Accordingly, \$27.3 million of our initial deposit was not used and was returned to us in October 2006.
- (5) On July 17, 2006, we consummated our secured notes private placement, the terms of which require us to retain \$75.0 million of our cash, cash equivalents and investments from funds other than the proceeds of the notes in a restricted collateral account.

EXPLANATORY NOTE

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

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

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

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

Our shares are currently quoted on the Over-the-Counter Bulletin Board under the symbol “*NWXV.OB*.” Our common stock has been approved for listing on The Nasdaq Global Market under the ticker symbol “*WAVE*” and we anticipate that our listing will be effective on January 3, 2007. On November 13, 2006, we implemented a new corporate holding company structure in order to facilitate a planned Nasdaq listing. The holding company structure was implemented through the merger of a wholly-owned subsidiary of NextWave Wireless Inc. with and into NextWave Wireless LLC. As a result of this corporate conversion merger, we issued 82,171,236 shares of our common stock to holders of NextWave Wireless LLC’s membership units in exchange for all of the outstanding membership units of NextWave Wireless LLC, with NextWave Wireless LLC unitholders receiving one share of our common stock for every six membership units of NextWave Wireless LLC that they hold. Each holder of NextWave Wireless LLC’s limited liability interests own the same percentage of the outstanding equity of the Company before and immediately after the corporate conversion merger.

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

This registration statement contains certain technical terms relating to the wireless industry. For an explanation of such technical terms, see “Glossary of Selected Wireless Terminology” beginning on page 94.

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

INDUSTRY AND MARKET DATA

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

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

In addition to historical information, the following discussion contains forward-looking statements that are subject to risks and uncertainties. Our actual results could differ substantially from those anticipated by such forward-looking information due to a number of factors, including but not limited to risks described in the section entitled Risk Factors and elsewhere in this registration statement. Additionally, the following discussion and analysis should be read in conjunction with the consolidated financial statements and the notes thereto included elsewhere in this registration statement and Management's Discussion and Analysis of Financial Condition and Results of Operations for the period from inception (April 13, 2005) to December 31, 2005 contained in NextWave Wireless Inc.'s Amended Form S-4, filed with the Securities and Exchange Commission on November 7, 2006.

OVERVIEW

Corporate Conversion Merger

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

Inception of NextWave Wireless LLC

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

Our Business

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

Our revenues for the third quarter and first nine months of 2006 totaled \$8.1 million and \$22.1 million, respectively, compared to revenues of \$1.2 million and \$1.4 million that was recognized during the third quarter of 2005 and the period from inception (April 13, 2005) to September 30, 2005, respectively. Our net losses for the third quarter and first nine months of 2006 totaled \$31.3 million and \$65.5 million, respectively, compared to our net losses for the third quarter of 2005 and the period from inception (April 13, 2005) to September 30, 2005 which totaled \$16.7 million and \$19.6 million, respectively. Our net losses for the third quarter and first nine months of 2006 included \$0.9 million and \$3.5 million, respectively, of stock-based compensation expense related to the adoption of SFAS 123R on January 1, 2006 and non-employee stock based compensation.

At present, the majority of our employees are assigned to the Advanced Technology Group and are directly engaged in the design, development, and commercialization of a suite of WiMAX compliant products, including 802.16e compliant digital baseband ASICs and multi-band RFICs, software defined radio platforms, base station channel card reference designs and innovative terminal device reference designs. Our development team is also focused on developing technologies such as advanced antenna systems and advanced cognitive radios that we believe will help stimulate sales of our suite of WiMAX compliant products. All of our WiMAX semiconductor product and technologies are in an early stage of development.

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

The success of our WiMAX semiconductor and product business will be reliant on market acceptance of WiMAX as a competitive wireless broadband technology and on our ability to differentiate our WiMAX products from those offered by competitors. To help accelerate global market adoption of WiMAX and to showcase the competitive strength of our WiMAX mobile broadband and wireless multimedia products, we intend to make our significant spectrum holdings available to Internet service providers, cable operators, satellite television companies, content developers, existing wireless service providers and other companies interested in funding, on a shared network basis, the deployment of WiMAX networks that utilize our WiMAX mobile broadband and wireless multimedia technologies. We expect these shared networks, which will operate on our spectrum, to represent a major opportunity for us to sell our WiMAX certified semiconductors and products.

Our PacketVideo subsidiary supplies device embedded multimedia software to many of the largest manufacturers of high-end mobile phones in the world including LGE, Motorola, Nokia and Samsung. PacketVideo's software enables a mobile handset to stream, download, and play video and music, receive live TV, or engage in two way video telephony. PacketVideo's continued growth will be reliant on its ability to continue offering superior software solutions to its customers and on the continued growth of the global market for high-end mobile phones and other converged devices. PacketVideo's revenues are currently generated from royalties associated with the licensing of its software products and by providing its customers with customized software development services on a contract basis. During the first nine months of 2006, 68% of PacketVideo's revenues were royalty based. We expect this percentage to increase over time based on the anticipated growth in the global market for devices having multimedia capabilities.

Change in Fiscal Year End

Our Board of Managers approved a change, effective January 1, 2006, in our fiscal year end and quarterly reporting periods from quarterly calendar periods ending on December 31 to a 52-53 week fiscal year ending on the Saturday nearest to December 31 of the current calendar year or the following calendar year. Normally, each fiscal year consists of 52 weeks, but every five or six years the fiscal year consists of 53 weeks. Fiscal year 2006 will be a 52-week year and the first 53-week year will occur in 2009. The three and nine month periods ended September 30, 2006 include 13 and 39 weeks, respectively.

Third Quarter of 2006 Compared to Third Quarter of 2005

Revenues . Revenues for the third quarter of 2006 were \$8.1 million, compared to \$1.2 million for 2005.

Revenues from royalties for the third quarter of 2006 were \$5.6 million compared to none for 2005, an increase of \$5.6 million. This increase resulted from unit sales growth and market penetration of mobile subscriber services by PacketVideo's customer base, which includes wireless operators and device manufacturers. Additionally, any royalty revenues reported by PacketVideo licensees during the period from our acquisition in July 2005 to September 30, 2005, were not recognizable by us under EITF 01-3, "Accounting in a Business Combination for Deferred Revenue of an Acquiree," as these represented royalties on customer revenues that were generated prior to our acquisition of PacketVideo.

Revenues from contract services for the third quarter of 2006 were \$2.5 million compared to \$1.2 million for 2005, an increase of \$1.3 million. Higher contract revenues from our PacketVideo subsidiary primarily accounted for this increase which resulted from growth in technology development contracts, addressing an increasing number of wireless devices.

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

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

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

Cost of Revenues . Cost of revenues for the third quarter of 2006 were \$4.6 million compared to \$1.9 million for 2005, an increase of \$2.7 million.

Cost of revenues for our PacketVideo subsidiary for the third quarter 2006 were \$4.6 million compared to \$1.8 million for 2005 and included \$0.4 million and \$0.3 million, respectively, of amortization expense for the purchase of intangible assets related to the acquisition of PacketVideo. The increase is due to the growth in contract service revenues.

Cost of revenues includes direct engineering labor expenses, allocated overhead costs and other direct costs related to the execution of technology development contracts as well as costs associated with offshore development contract costs, amortization of acquired software and other costs.

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

Engineering, Research and Development . Engineering, research and development expenses for the third quarter of 2006 were \$11.5 million compared to \$5.1 million for 2005, an increase of \$6.4 million.

Costs for the internal and external development of our wireless broadband products and technologies, including our chipsets, for the third quarter of 2006 were \$9.0 million compared to \$4.2 million for 2005, an increase of \$4.8 million which is due primarily to an increase in engineers assigned to the Advanced Technology Group of NextWave.

Costs for the internal and external development of our PacketVideo software for the third quarter of 2006 were \$2.5 million compared to \$0.9 million for 2005, an increase of \$1.6 million, which is due primarily to 2006 acquisitions.

Share-based compensation for the third quarter of 2006 totaled \$0.5 million.

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

General and Administrative . General and administrative expenses for the third quarter of 2006 were \$14.9 million compared to \$6.6 million for 2005, an increase of \$8.3 million.

PacketVideo and NextWave accounted for \$1.0 million and \$7.3 million of the increase, respectively. The increases are comprised primarily of increased spending for compensation and associated costs of general and administrative personnel of \$5.8 million, professional fees of \$1.7 million, share-based compensation of \$0.4 million, and losses incurred by our strategic investment of \$0.4 million. In addition to our principal executive offices in San Diego, California, we maintain significant operating facilities in Henderson, Nevada.

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

Sales and Marketing . Sales and marketing expenses for the third quarter of 2006 were \$3.0 million compared to \$1.2 million for 2005, an increase of \$1.8 million.

PacketVideo and NextWave accounted for \$1.2 million and \$0.6 million of the increase, respectively. The increases are comprised primarily of increased spending for compensation and associated costs for marketing and sales personnel of \$1.6 million, share-based compensation of \$0.1 million, and expenses associated with marketing and promotional activities of \$0.1 million.

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

Purchased In-Process Research and Development Costs . In conjunction with our acquisition of PacketVideo in July 2005, we purchased in-process research and development projects valued at \$6.6 million that were expensed upon the date of acquisition.

Interest Income . Interest income for the third quarter of 2006 was \$3.4 million compared to \$3.9 million for 2005, a decrease of \$0.5 million, and consisted of interest earned during the respective periods on our unrestricted and restricted cash and investment balances, which totaled \$299.0 million and \$492.6 million at September 30, 2006 and 2005, respectively.

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

Interest Expense . Interest expense for the third quarter of 2006 was \$9.0 million compared to \$0.4 million for 2005, an increase of \$8.6 million which resulted from our issuance of \$350.0 million in principal amount of 7% Senior Secured Notes in July 2006.

Our interest expense will increase during the remainder of 2006 and in 2007 due to the accrual of interest on our 7% Senior Secured Notes, amortization of the discount and debt issue costs related to our 7% Senior Secured Notes and interest accreted on our newly acquired spectrum lease liabilities.

Provision for Income Taxes . NextWave Wireless LLC is classified as a partnership for U.S. federal and state income tax purposes. Therefore, its income is not subject to federal or state income tax at the entity level. Its income passes through to its members, where it is subject to income tax at the member level. Our corporate subsidiaries or controlled corporations are subject to federal, state and foreign income taxes on corporations.

During the third quarter of 2006 substantially all of these corporate subsidiaries and controlled corporations all had net losses for tax purposes, and, therefore, no material income tax provision or benefit was recognized during the third quarter of 2006. Our income tax provision of \$0.1 million for the third quarter of 2005 is comprised of foreign withholding tax on royalty payments received from PacketVideo customers.

Minority Interest . Minority interest for the third quarter of 2006 was \$0.3 million compared to \$7,000 for 2005. Minority interest in 2006 primarily represents our minority partner's share of losses in our INQUAM joint venture formed in January 2006.

First Nine Months of Fiscal 2006 Compared to the Period From Inception (April 13, 2005) to September 30, 2005

Revenues . Revenues for the first nine months of 2006 were \$22.1 million compared to \$1.4 million for the period from inception (April 13, 2005) to September 30, 2005, an increase of \$20.7 million.

Revenues from royalties for the first nine months of 2006 were \$15.0 million compared to none for the period from inception (April 13, 2005) to September 30, 2005, an increase of \$15.0 million. This increase resulted from unit sales growth and market penetration of mobile subscriber services by PacketVideo's customer base, which includes wireless operators and device manufacturers, in addition to the inclusion of PacketVideo's revenues for a full nine months in 2006. Additionally, any royalty revenues reported by PacketVideo licensees during the period from our acquisition in July 2005 to September 30, 2005, were not recognizable by us under EITF 01-3, "Accounting in a Business Combination for Deferred Revenue of an Acquiree," as these represented royalties on customer revenues that were generated prior to our acquisition of PacketVideo.

Revenues from contract services for the first nine months of 2006 were \$7.0 million compared to \$1.3 million for the period from inception (April 13, 2005) to September 30, 2005, an increase of \$5.7 million. Higher contract revenues from our PacketVideo subsidiary primarily accounted for this increase, which resulted from growth in technology development contracts, addressing an increasing number of wireless devices, in addition to the inclusion of PacketVideo's revenues for a full nine months in 2006.

Cost of Revenues . Cost of revenues for the first nine months of 2006 were \$10.5 million compared to \$2.0 million for the period from inception (April 13, 2005) to September 30, 2005, an increase of \$8.5 million.

Cost of revenues for our PacketVideo subsidiary for the first nine months of 2006 were \$10.5 million compared to \$1.8 million for the period from inception (April 13, 2005) to September 30, 2005 and included \$1.1 million and \$0.3 million, respectively, of amortization expense for the purchase of intangible assets related to the acquisition of PacketVideo. The remainder of the increase is due to growth in contract services revenue.

Engineering, Research and Development . Engineering, research and development expenses for the first nine months of 2006 were \$34.3 million compared to \$8.0 million for 2005, an increase of \$26.3 million.

Costs for the internal and external development of our wireless broadband products and technologies, including our chipsets, for the first nine months of 2006 were \$28.2 million compared to \$7.1 million for the period from inception (April 13, 2005) to September 30, 2005, an increase of \$21.1 million which is due primarily to the expansion of the engineering development organization.

Costs for the internal and external development of our PacketVideo software for the first nine months of 2006 were \$6.1 million compared to \$0.9 million for the period from inception (April 13, 2005) to September 30, 2005, an increase of \$5.2 million, which is due primarily to the inclusion of expenses for a full nine months in 2006, 2006 acquisitions and an increase in headcount in the engineering development organization.

Share-based compensation for the first nine months of 2006 totaled \$1.3 million.

General and Administrative . General and administrative expenses for the first nine months of 2006 were \$35.5 million compared to \$9.9 million for the period from inception (April 13, 2005) to September 30, 2005, an increase of \$25.6 million.

PacketVideo and NextWave accounted for \$2.7 million and \$22.9 million of the increase, respectively. These increases are comprised primarily of increased spending for compensation and associated costs of general and administrative personnel of \$18.1 million, professional fees of \$3.7 million, losses incurred by our strategic investment of \$1.0 million, amortization of intangible assets of \$0.8 million, and share-based compensation of \$2.0 million.

Sales and Marketing . Sales and marketing expenses for the first nine months of 2006 were \$7.1 million compared to \$1.2 million for the period from inception (April 13, 2005) to September 30, 2005, an increase of \$5.9 million.

PacketVideo and NextWave accounted for \$4.5 million and \$1.4 million of the increase, respectively. The increases are comprised primarily of increased spending for compensation and associated costs for marketing and sales personnel of \$5.1 million, share-based compensation of \$0.2 million, expenses associated with marketing and promotional activities of \$0.3 million, and amortization expenses related to intangible assets of \$0.3 million.

Purchased In-Process Research and Development Costs . In conjunction with one of our immaterial acquisitions during 2006 and our acquisition of PacketVideo in 2005, we purchased in-process research and development projects valued at \$1.6 million and \$6.6 million, respectively, that were expensed upon the date of acquisition.

Interest Income . Interest income for the first nine months of 2006 was \$9.8 million compared to \$7.4 million for the period from inception (April 13, 2005) to September 30, 2005, an increase of \$2.4 million, and consisted of interest earned during the respective periods on our unrestricted and restricted cash and investment balances, which totaled \$299.0 million and \$492.6 million at September 30, 2006 and 2005, respectively.

Interest Expense . Interest expense for the first nine months of 2006 was \$9.7 million compared to \$0.7 million for the period from inception (April 13, 2005) to September 30, 2005, an increase of \$9.0 million. Our issuance of \$350.0 million in principal amount of 7% Senior Secured Notes in July 2006 accounted for \$8.6 million of the increase. The remainder of the increase of \$0.4 million consists primarily of the accretion of discounted wireless spectrum license lease liabilities acquired in 2006.

Provision for Income Taxes . During the first nine months of 2006, substantially all of these corporate subsidiaries and controlled corporations had net losses for tax purposes, and, therefore, no income tax provision was recognized

during the first nine months of 2006. Our income tax benefit of \$0.1 million for the first nine months of 2006 is comprised primarily of a reversal of an accrual for federal personal holding company taxes for NextWave Broadband Inc. which is partially offset by foreign withholding tax on royalty payments received from PacketVideo customers. Our income tax provision of \$0.1 million for the period from inception (April 13, 2005) to September 30, 2005 is comprised of foreign withholding tax on royalty payments received from PacketVideo customers.

Minority Interest . Minority interest for the first nine months of 2006 was \$1.1 million compared to \$7,000 for the period from inception (April 13, 2005) to September 30, 2005. Minority interest in 2006 primarily represents our minority partner's share of losses in our INQUAM joint venture formed in January 2006.

Liquidity And Capital Resources

Since our inception (April 13, 2005), we have incurred operating losses and negative cash flows and had a retained deficit of \$49.2 million at December 31, 2005, consisting of \$34.8 million and \$14.4 million from NextWave and PacketVideo, respectively. We have funded our operations primarily with the \$550.0 million in cash received in our initial capitalization. Our total cash, cash equivalents and short-term investments at December 31, 2005 were \$459.2 million. Cash and cash equivalents were \$93.6 million at December 31, 2005, consisting of \$92.1 million and \$1.5 million at NextWave and PacketVideo, respectively, a decrease of \$461.5 million from our inception balance of \$555.1 million at April 13, 2005. Of this decrease, \$365.6 million is the result of our investment in liquid marketable securities that offered a more favorable investment return than if held in cash. We held short-term investments of \$365.6 million at December 31, 2005.

During the three and nine months ended September 30, 2006, we incurred operating losses of \$25.9 million and \$67.0 million, respectively, and our retained deficit at September 30, 2006 totaled \$111.5 million, consisting of \$91.6 million and \$19.9 million, from NextWave and PacketVideo, respectively. Our total cash, cash equivalents and investments at September 30, 2006 were \$222.2 million. The following table presents working capital, cash, cash equivalents and investments:

		Increase (Decrease) for the Three Months Ended	Increase (Decrease) for the Nine Months Ended		
	September 30, 2006	September 30, 2006	September 30, 2006	July 1, 2006	December 31, 2005
<i>(in thousands)</i>					
Working capital	\$ 351,877	\$ 16,920	\$ (104,541)	\$ 334,957	\$ 456,418
Cash and cash equivalents	25,371	(5,272)	(68,278)	30,643	93,649
Short-term investments	196,801	(112,993)	(168,781)	309,794	365,582
Total cash, cash equivalents and investments	\$ 222,172	\$ (118,265)	\$ (237,059)	\$ 340,437	\$ 459,231

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

<i>(in thousands)</i>	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2006	Inception (April 13, 2005) to September 30, 2005	Inception (April 13, 2005) to September 30, 2006
Beginning cash, cash equivalents and investments	\$ 340,437	\$ 459,231	\$ 555,099	\$ 555,099
Cash paid for business combinations, net of cash acquired	(75)	(4,950)	(46,621)	(56,071)
Cash paid for acquisition of wireless spectrum licenses and subsequent lease obligations	(317,615)	(400,049)	(50)	(418,829)
Proceeds from long-term obligations, net of costs to issue	295,098	295,098	—	295,098
Payment to restricted investment account securing long-term obligations	(77,324)	(77,324)	—	(77,324)
Cash used by Inquam Broadband Ltd joint venture, net of cash investment from joint venture partner	(328)	(961)	—	(961)
Cash used in all other operating activities	(16,794)	(38,464)	(12,415)	(57,138)
Acquisition of property and equipment	(3,833)	(10,990)	(3,474)	(18,268)
Proceeds from the sale of membership interests and subsidiary common stock	2,049	2,379	—	2,379
Other, net	557	(1,798)	(11)	(1,813)
Ending cash, cash equivalents and investments	\$ 222,172	\$ 222,172	\$ 492,528	\$ 222,172

The decrease in cash, cash equivalents and investments of \$118.3 million during the three months ended September 30, 2006, primarily reflects \$317.6 million paid for wireless spectrum licenses and subsequent lease obligations, our payment of \$77.3 million into a restricted cash account to secure our 7% Senior Secured Notes, cash used in operating activities of \$17.4 million, consisting of \$15.6 million used by NextWave and our joint venture and \$1.8 million used by PacketVideo, and \$3.8 million paid for capital expenditures. These uses of cash were partially offset by the net proceeds from the issuance of our 7% Senior Secured Notes of \$295.1 million and proceeds from the sale of membership interests and subsidiary common stock of \$2.0 million.

The decrease in cash, cash equivalents and investments of \$237.1 million during the nine months ended September 30, 2006, primarily reflects \$400.0 million paid for wireless spectrum licenses and subsequent lease obligations, our payment of \$77.3 million into a restricted cash account to secure our 7% Senior Secured Notes, cash used in operating activities of \$40.6 million, consisting of \$38.4 million used by NextWave and our joint venture, and \$2.2 million used by PacketVideo, \$5.0 million paid to acquire businesses and \$11.0 million paid for capital expenditures. These uses of cash were partially offset by the net proceeds from the issuance of our 7% Senior Secured Notes of \$295.1 million and proceeds from the sale of membership interests and subsidiary common stock of \$2.4 million.

The decrease in cash, cash equivalents and investments of \$62.6 million during the period from inception (April 13, 2005) to September 30, 2005, primarily reflects the use of \$46.6 million for business acquisitions, \$12.4 million for

operating activities and \$3.5 million paid for capital expenditures.

The decrease in cash, cash equivalents and investments of \$332.9 million during the period from inception (April 13, 2005) to September 30, 2006, primarily reflects \$418.8 million paid for wireless spectrum licenses and subsequent lease obligations, our payment of \$77.3 million into a restricted cash account to secure our 7% Senior Secured Notes, cash used in operating activities of \$59.2 million, consisting of \$53.5 million used by NextWave and our joint venture, and \$5.7 million used by PacketVideo, \$56.1 million paid to acquire businesses and \$18.3 million paid for capital expenditures. These uses of cash were partially offset by the net proceeds from the issuance of our 7% Senior Secured Notes of \$295.1 million and proceeds from the sale of membership interests and subsidiary common stock of \$2.4 million.

In August 2006, we acquired WCS Wireless Inc., which holds spectrum covering 188.8 million persons, or POPs, in the central, western, and northeastern United States, for \$160.5 million. The acquisition agreement provides that \$8.0 million of the sale proceeds would be deposited into an escrow fund to cover liabilities resulting from breaches of representations and warranties, breaches of covenants and certain pre-closing tax losses. The escrow fund will remain in place until February 2007. The \$160.5 million purchase price for WCS was funded with a portion of the proceeds from our recently completed 7% Senior Secured Notes financing. Wireless licenses that are purchased from third parties or in spectrum auctions held by the FCC are initially recorded at fair value, which is the purchase price paid for the license at the time of acquisition plus legal costs incurred to acquire the intangible asset. NextWave has determined that its WCS wireless spectrum licenses meet the definition of indefinite-lived intangible assets under SFAS No. 142, "Goodwill and Other Intangible Assets," and, accordingly, the licenses are not amortized to expense, but, rather, reviewed for impairment on an annual basis.

In July 2006, we issued 7% Senior Secured Notes due 2010 (the "Notes") in the aggregate principal amount of \$350.0 million. The Notes were issued at a fifteen percent (15%) original issue discount, resulting in gross proceeds of \$297.5 million. We will be obligated to pay the Notes at their full face value of \$350.0 million on July 17, 2010 and interest of 7% per annum, or \$24.5 million, is payable semiannually in January and July each year commencing January 15, 2007. The original issue discount will provide the note purchasers with a yield that is in addition to the coupon rate upon repayment of the Notes. After the payment of transaction related expenses, we received net proceeds of \$295.1 million available for the sole purpose of financing spectrum acquisitions and leases. After giving effect to our recent acquisition of WCS Wireless, Inc. for \$160.5 million and the acquisition of two new EBS leases for \$22.1 million, the remaining net proceeds, or \$110.0 million, of the Notes were used to fund the majority of a \$142.8 million deposit to the FCC to qualify for the AWS auction. In September 2006, we were declared the winning bidder for 154 spectrum licenses for an aggregate bid of \$115.5 million. Accordingly, \$27.3 million of our initial deposit was not used and was returned to us in October 2006 after the auction was completed.

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

In connection with the Notes financing described above, NextWave Wireless Inc. entered into a warrant agreement with the purchasers of the Notes whereby on November 13, 2006, NextWave Wireless Inc. issued 4,110,382 common

stock purchase warrants to purchase shares of common stock. The warrants have an exercise price of \$0.01 per share (subject to certain adjustments as set forth in the warrant agreement) and are exercisable at any time from the date of issuance until July 15, 2009, and have anti-dilution protection provisions. The shares of NextWave Wireless Inc. underlying the warrants are also entitled to registration rights that obligate NextWave Wireless Inc. to file a shelf registration statement within 30 days following the corporate conversion merger, and use its commercially reasonable efforts to have the shelf registration statement become or declared effective within 60 days from its filing. The holders of warrants will be entitled to continuous shelf registration rights for a period of two years from the date that such shelf registration is declared effective by the SEC. NextWave Wireless Inc. is required to bear the expenses of the shelf registration.

In July 2005, we entered into a purchase agreement for an office building in Henderson, Nevada for \$8.2 million, plus related interior construction, fixtures and furniture costs of approximately \$3.6 million, to accommodate our facility requirements and to consolidate current operations from two leased facilities into one. The interior construction costs are payable in the fourth quarter of 2006. Construction is expected to be completed during first quarter of 2007, at which time we expect to occupy the facility and the purchase price will be due and payable.

As of September 30, 2006, we had \$222.2 million of unrestricted cash, cash equivalents and short-term investments, and \$76.8 million in restricted investments required to be reserved under our Notes financing. In September 2006, we were declared the winning bidder for 154 spectrum licenses for an aggregate bid of \$115.5 million. Accordingly, approximately \$27.3 million of our initial \$142.8 million deposit was not used and was returned to us in October 2006.

In December 2006, we were declared the winning bidder for 28 wireless licenses in Germany. The initial deposit of \$20.5 million was funded in November 2006 and the remaining \$2.6 million was provided in December 2006. We anticipate funding any future cash requirements for maintaining these licenses by obtaining external capital funding in 2008.

Since our emergence as a wireless technology company, we have consummated transactions to acquire licensed spectrum rights, including subsequent lease obligations, for amounts totaling \$421.1. These transactions include our recent acquisition of German licenses, our acquisitions of 154 AWS spectrum licenses totaling \$115.5 million, the WCS licenses from Bal-Rivgam, LLC for \$56.9 million, and WCS Wireless Inc., which holds spectrum covering 188.8 million persons, or POPs, in the Central, Western, and Northeastern United States, for \$160.5 million. The Bal-Rivgam acquisition agreement provides that \$21.9 million of the proceeds of the purchase would be deposited into escrow until January 2008 to cover any liabilities stemming from Bal-Rivgam's ownership of the licenses prior to closing, claims resulting from breaches of representations or warranties and certain claims under the spectrum licenses.

We are currently unable to project when our wireless broadband products and technologies will be commercially deployed and generate revenue. However, we believe that our current revenues, cash and short-term investments and financing activities will be sufficient to fund our operating activities at least through 2007, even if the estimated \$40 million expenditure relating to the current WCS substantial service date is required over the next 12 months.

- We plan to fund our WiMAX technology development activities with our \$222.2 million of unrestricted cash and investments until such point that we begin sales of our chipsets and network component products and enter into licensing arrangements for our wireless broadband technologies. Our wireless broadband products and technologies are in the early stages of development and will require a substantial investment before they may become commercially viable. Our research and development expenses for our wireless broadband products and technologies, including our chipsets were \$9.0 million in the third quarter of 2006. Largely due to our planned increase in engineering personnel, we expect our WiMAX development expenses to increase by approximately 50% over the next twelve months. Because we are adopting a strategy of licensing our technology and selling chipsets to third party equipment manufacturers, we do not anticipate that the license and sale of our products and technologies will require significant additional capital.

