PROXIM WIRELESS CORPORATION

QUARTERLY REPORT

For Second Quarter Ended June 30, 2009

## Safe Harbor Statement

Statements in this quarterly disclosure statement that are not statements of historical facts are forward-looking statements that involve risks, uncertainties, and assumptions. Proxim Wireless' actual results may differ materially from the results anticipated in these forward-looking statements. The forward-looking statements involve risks and uncertainties that could contribute to such differences including those relating to and arising from dilution, changed voting power, stock preferential rights, and other issues resulting from the stock sale completed by Proxim Wireless on August 13, 2009; possible stagnation and decline in the price of Proxim's common stock as a result of those transactions; the reactions, positive or negative, of customers, investors, employees, competitors, and others to the stock sale completed on August 13, 2009 and its ramifications; the ongoing uncertainty in the telecommunications industry and larger economy; our ability to increase our sales in the Americas and elsewhere; our limited capital resources and recent history of significant losses; the intense competition in our industries and resulting impacts on our pricing, gross margins, and general financial performance; time and costs associated with developing and launching new products; uncertainty about market acceptance of products we introduce; potential long sales cycles for new products such that there may be extended periods of time before new products contribute positively to our financial results; decisions we may make to delay or discontinue efforts to develop and introduce certain new products; time, costs, political considerations, typical multitude of constituencies, and other factors involved in evaluating, equipping, installing, and operating municipal networks; difficulties or delays in developing and supplying new products with the contemplated or desired features, performance, compliances, certifications, cost, price, and other characteristics and at the times and in the quantities contemplated or desired; commitments we may make to our suppliers relating to orders that may end up getting cancelled; the difficulties in predicting Proxim's future financial performance; and the impacts and effects of any strategic transactions Proxim may evaluate or consummate, including any outcome of the current exploration of strategic options. Further information on these and other factors that could affect Proxim's actual results is contained in the filings made by Proxim with the Securities and Exchange Commission (available at www.sec.gov), including without limitation in the Annual Report on Form 10-K filed by Proxim on March 31, 2009, and will be included in disclosures made by Proxim from time to time with the OTCQX (www.otcqx.com) and in its other public statements, many of which will be available on Proxim's website (www.proxim.com). Forward-looking statements should be read in light of the cautionary statements and important factors described in this quarterly report, including those described above. As a result, we cannot guarantee future results, outcomes, levels of activity, performance, developments, or achievements, and there can be no assurance that our expectations, intentions, anticipations, beliefs, or projections will result or be achieved or accomplished. We undertake no obligation to update or revise any forward-looking statement to reflect events, circumstances, or new information after the date of this quarterly report or to reflect the occurrence of unanticipated or any other subsequent events. In summary, you should not place undue reliance on any forward-looking statements.

## Item 1. Exact Name of the Issuer and the Address of its Principal Executive Offices.

| | |
|---|---|
| Exact name of issuer: | Proxim Wireless Corporation |
| Exact names of predecessor entities in past five years and dates of name changes: | Terabeam, Inc. (November 7, 2005 – September 10, 2007)<br>YDI Wireless, Inc. (July 9, 2003 – November 7, 2005) |
| Principal Executive Offices: | 1561 Buckeye Drive<br>Milpitas, CA 95035<br><br>Telephone: (408) 383-7600<br>Facsimile: (408) 383-7680<br>Website: www.proxim.com |
| Investor Relations Officer: | David L. Renauld<br>881 North King Street, Suite 100 |

Northampton, MA 01060

Telephone: (413) 584-1425
Email Address: IR@proxim.com

**Item 2. Shares Outstanding.**

The following table sets forth information concerning the stock of Proxim Wireless Corporation as of June 30, 2009 (except as otherwise noted):

| Class | Number of Shares Authorized | Number of Shares Outstanding | Freely Tradable Shares (Public Float) (1) | Total Number of Beneficial Stockholders (2) | Total Number of Stockholders of Record |
|---|---|---|---|---|---|
| Common | 100,000,000 | 23,519,069 | 19,913,029 | 3,629 | 217 |
| Preferred | 4,500,000 | - | - | - | - |

(1) For purposes of this calculation only, shares of common equity held by each of Proxim's directors and officers on that date and by each person who Proxim knows beneficially owned 10% or more of the outstanding common stock on that date have been excluded in that such persons may be deemed to be affiliates.

(2) Estimate based on June 30, 2009 beneficial share range analysis.

**Item 3. Interim Financial Statements.**

## PROXIM WIRELESS CORPORATION
## CONSOLIDATED BALANCE SHEETS
## (In thousands, except share data)

| | June 30, 2009 (unaudited) | December 31, 2008 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 2,551 | $ 5,092 |
| Accounts receivable, net of allowance for doubtful accounts, returns and discounts of $1,326 for June 30,2009 and $2,132 for December 31, 2008 respectively | 4,424 | 4,084 |
| Inventory | 4,369 | 3,947 |
| Prepaid expenses | 1,161 | 1,613 |
| Total current assets | 12,505 | 14,736 |
| Property and equipment, net | 2,856 | 2,658 |
| Other Assets: | | |
| Restricted cash | 77 | 77 |
| Intangible assets, net | 5,545 | 6,479 |
| Deposits and prepaid expenses | 331 | 387 |
| Total other assets | 5,953 | 6,943 |
| Total assets | $ 21,314 | $ 24,337 |
| **Liabilities and Stockholders' Equity** | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | $ 5,451 | $ 8,100 |
| Line of credit payable | 2,376 | 1,500 |
| Deferred revenue | 1,679 | 1,649 |
| License agreement payable - current maturities | 370 | 1,023 |
| Total current liabilities | 9,876 | 12,272 |
| Deferred revenue, net of current | 471 | 474 |
| Notes payable, net of discount | 2,691 | 2,616 |
| Other long term liabilities | 220 | 305 |
| Total liabilities | 13,258 | 15,667 |
| Commitments and contingencies | | |
| **Stockholders' Equity** | | |
| Preferred stock, $0.01 par value; authorized 4,500,000, none issued at June 30, 2009 and December 31, 2008 | - | - |
| Common stock, $0.01 par value, 100,000,000 shares authorized, 23,519,069 issued and outstanding at June 30, 2009 and December 31, 2008 | 235 | 235 |
| Additional paid-in capital | 65,061 | 64,829 |
| Accumulated deficit | (57,240) | (56,394) |
| Total stockholders' equity | 8,056 | 8,670 |
| Total liabilities and stockholders' equity | $ 21,314 | $ 24,337 |

The accompanying notes are an integral part of the financial statements

# PROXIM WIRELESS CORPORATION
# CONSOLIDATED STATEMENTS OF OPERATIONS
## (In thousands, except per share data)
## (Unaudited)

| | Three Months Ended Jun 30, 2009 | Three Months Ended Jun 30, 2008 | Six Months Ended Jun 30, 2009 | Six Months Ended Jun 30, 2008 |
|---|---|---|---|---|
| Revenues | $ 7,213 | $ 15,088 | $ 15,104 | $ 25,331 |
| Cost of goods sold | 3,574 | 7,831 | 7,118 | 13,752 |
| Gross profit | 3,639 | 7,257 | 7,986 | 11,579 |
| Operating expenses: | | | | |
| Selling costs | 2,459 | 5,137 | 4,665 | 10,164 |
| General and administrative | 1,002 | 3,051 | 2,441 | 6,424 |
| Research and development | 539 | 1,082 | 1,148 | 2,126 |
| Total operating expenses | 4,000 | 9,270 | 8,254 | 18,714 |
| Operating loss | (361) | (2,013) | (268) | (7,135) |
| Other income (expenses): | | | | |
| Interest income | 1 | 7 | 4 | 20 |
| Interest expense | (217) | (75) | (424) | (114) |
| Other income (expense) | (56) | (63) | (78) | (118) |
| Gain (loss) on sale of assets | - | 808 | (8) | 724 |
| Total other income (expenses) | (272) | 677 | (506) | 512 |
| Loss from continuing operations before income tax | (633) | (1,336) | (774) | (6,623) |
| Benefit( Provision) for income taxes | (17) | (41) | (72) | (113) |
| Loss from continuing operations | $ (650) | $ (1,377) | $ (846) | $ (6,736) |
| Income (Loss) from discontinued operations, net of income taxes | $ - | $ 13 | $ - | 100 |
| Net income (loss) | $ (650) | $ (1,364) | $ (846) | $ (6,636) |
| Weighted average number of shares-basic and diluted used in computing net earnings (loss) per share | 23,519 | 23,519 | 23,519 | 23,519 |
| Basic and diluted net earnings (loss) per share: | | | | |
| Continuing operations | $ (0.03) | $ (0.06) | $ (0.04) | $ (0.29) |
| Discontinued Operations | $ - | $ - | $ - | $ 0.01 |
| Total | $ (0.03) | $ (0.06) | $ (0.04) | $ (0.28) |

The accompanying notes are an integral part of the financial statements

# PROXIM WIRELESS CORPORATION
# CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
# (In thousands, except share data)

| (unaudited) | Common Stock | | | | | |
|---|---|---|---|---|---|---|
| | Shares | Amount | Additional Paid-in Capital | Retained Earnings (Deficit) | Accumulated Other Comprehensive (Loss) Income | Total |
| **Balances, December 31, 2008** | 23,519,069 | 235 | 64,829 | (56,394) | | $ 8,670 |
| Stock based compensation | - | - | 232 | - | - | 232 |
| Net income (loss) | - | - | - | (846) | - | (846) |
| Total comprehensive income (loss) | - | - | - | (846) | - | (846) |
| **Balances, June 30, 2009** | 23,519,069 | 235 | 65,061 | (57,240) | | $ 8,056 |

The accompanying notes are an integral part of the financial statements

## PROXIM WIRELESS CORPORATION

## CONSOLIDATED STATEMENT OF CASH FLOWS
## (unaudited)

| (in thousands) | Six months Ended June 30, 2009 | 2008 |
|---|---|---|
| Cash Flows from Operating Activities | | |
| Net Loss | $ (846) | $ (6,636) |
| Adjustments to reconcile net loss to net cash provided by (used in) Operating activities | | |
| Depreciation and amortization | 1,329 | 1,778 |
| Bad debt allowance | 28 | 301 |
| Inventory allowance | (710) | (104) |
| Stock based compensation | 232 | 681 |
| Amortization of debt discount | 75 | - |
| Reversal of lease obligations reserve | (949) | - |
| (Gain) loss on sell /write off assets | 8 | (724) |
| Changes in assets and liabilities affecting operations: | | |
| Accounts receivable | (368) | 4,527 |
| Inventory | 288 | 252 |
| Prepaid expense and other current assets | 452 | (130) |
| Other non-current assets | 56 | (251) |
| Accounts payable and accrued expenses | (1,695) | (2,519) |
| Deferred Revenue | 27 | (1,161) |
| Other liabilities | (143) | - |
| Net cash provided by (used in) operating activities | (2,216) | (3,986) |
| Cash Flows from Investing Activities: | | |
| Purchase of property and equipment | (106) | (354) |
| Investment in capitalized software | (442) | (474) |
| Proceeds from sale of intangible assets | - | 850 |
| Net cash provided by (used in) investing activities | (548) | 22 |
| Cash Flows from Financing Activities: | | |
| Proceeds from line of credit | 2,376 | 3,000 |
| Principle payments on loan obligations | (1,500) | - |
| Repayment of license agreement payable | (653) | (481) |
| Net cash provided by (used in) financing activities | 223 | 2,519 |
| Net change in cash and cash equivalents | (2,541) | (1,445) |
| Cash and cash equivalents at beginning of period | 5,092 | 6,329 |
| Cash and cash equivalents at end of period | $ 2,551 | $ 4,884 |
| | | |
| Supplemental disclosure of cash flow information | | |
| Cash paid for interest | $ 40 | $ 75 |
| Income taxes paid | $ 85 | $ 215 |

The accompanying notes are an integral part of the financial statements

## PROXIM WIRELESS CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of Presentation

The consolidated financial statements of Proxim Wireless Corporation (the “Company” or “Proxim”) for the three month and six month periods ended June 30, 2009 and 2008 are unaudited and include all adjustments which, in the opinion of management, are necessary to present fairly the financial position and results of operations for the periods then ended. All such adjustments are of a normal recurring nature. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2008 filed with the Securities and Exchange Commission (www.sec.gov). The results of operations for any interim period are not necessarily indicative of the results of operations for any other interim period or for a full fiscal year.

The Company is a designer, manufacturer, and seller of high-speed wireless communications equipment. Our customers include service providers, enterprises, and governmental organizations worldwide. The company is a leading provider of broadband wireless equipment that delivers data, voice, video and mobility (also known as the “quadruple play”) to organizations of all sizes. Proxim’s portfolio of WLAN, Wi-Fi mesh, WiMAX, and point to point (PTP) products enable a broad range of applications including wireless security and surveillance, enterprise WLANs, last mile connectivity, public safety, cellular backhaul, and more. The Company believes its end to end wireless systems address the growing need of our customers and end-users to rapidly and cost effectively deploy high-speed communication networks.

Proxim’s broadband equipment is used by enterprises, service providers, carriers, government entities, educational institutions, healthcare organizations, municipalities and other organizations that need high-performance, secure and scalable broadband wireless solutions. Proxim is ISO-9001 certified.

### 2. Inventory

Inventory consisted of the following at the indicated dates (in thousands):

| | June 30, 2009 | December 31, 2008 |
|---|---|---|
| Raw materials | $ 1,269 | $ 1,354 |
| Work in process | 663 | 728 |
| Finished goods | 4,239 | 3,927 |
| | $ 6,171 | $ 6,009 |
| Allowance for excess and obsolescence | (1,802) | (2,062) |
| Net Inventory | $ 4,369 | $ 3,947 |

### 3. Intangibles

*Schedule of Non-Amortizable Assets*

| | June 30, 2009 | December 31, 2008 |
|---|---|---|
| | (in thousands) | |
| Trade names — indefinite useful life | 780 | 780 |
| | $ 780 | $ 780 |

*Schedule of Amortizable Assets*

| | June 30, 2009 | December 31, 2008 |
|---|---|---|
| | (in thousands) | |
| Patents, customer relationships and other technologies with identifiable useful lives | $10,455 | $ 10,455 |
| Less: accumulated amortization | (5,690) | (4,756) |
| Amortizable intangible assets, net | $ 4,765 | $ 5,699 |

Amortization is computed using the straight-line method over the estimated useful life, based on the Company's assessment of technological obsolescence of the respective assets. Amortization expense for the three months and six months ended June 30, 2009 totaled approximately $0.5 million and $1.0 million, respectively. There is no estimated residual value.

**4. Property and equipment**

Property and equipment consisted of the following balances for the dates indicated (in thousands):

| | June 30, 2009 | December 31, 2008 |
|---|---|---|
| Leasehold Improvement | $ 309 | $ 307 |
| Capitalized Software | 3,320 | 2,811 |
| Equipment | 3,713 | 3,630 |
| | $ 7,342 | $ 6,748 |
| Less: accumulated depreciation | (4,486) | (4,090) |
| Property and equipment, net | $ 2,856 | $ 2,658 |

Depreciation expenses totaled approximately $0.2 and $0.4 million for three months and six months ended June 30, 2009.

**5. Allowance for Product Warranty Costs**

The following table presents a summary of the changes to product warranty costs during six months ended June 30, 2009 and 2008. (in thousands)

| | June 30, 2009 | June 30, 2008 |
|---|---|---|
| Balance at January 1, | $ 561 | $ 697 |
| Settlements | (222) | (298) |
| Other provision adjustments | 25 | 441 |
| Balance at June 30 | $ 364 | $ 840 |

**6. Patent License Agreement — License Agreement Payable**

In February 2006, the Company entered into a settlement agreement with Symbol Technologies, Inc. and its subsidiaries ("Symbol") resolving all outstanding litigation between the companies.

The Company recorded an intangible asset related to the license at December 31, 2005 based on the present value of the scheduled payments, and will amortize the intangible asset over the useful life of the patents through 2014. The Company also recorded a license payable equal to the present value of the scheduled payments. As of June 30, 2009, the remaining portion of license agreement payable is $375,000 which is scheduled to be paid in full in August 2009.

**7. Security Agreement- Line of Credit**

On March 6, 2009, the Company entered into a loan and security agreement (the "Loan Agreement") with Bridge Bank, N.A. (the "Bank"), which was described in a Form 8-K filed with the Securities and Exchange Commission on March 12, 2009. The Loan Agreement provides for up to a $5 million revolving line of credit and includes sublimits for letters of credit, cash management, and foreign exchange contracts. The aggregate outstanding amount may not exceed Proxim's borrowing base as established under the Loan Agreement. Proxim's borrowing base generally is an amount equal to 65% of Proxim's eligible domestic accounts receivable plus the lesser of $1 million or 50% of Proxim's eligible foreign accounts receivable.

In conjunction with the Company entering into the Loan Agreement with Bridge Bank, we paid off and closed our $1.5 million credit line with Comerica Bank.

As of June 30, 2009, Proxim had an outstanding loan balance of $2.4 million. The weighted average interest rate for this line of credit as of June, 30, 2009 was 6.5%.

**8. Long Term Debt - Related Party**

On July 25, 2008, the Company entered into a lending transaction with Lloyd I. Miller, III and Milfam II L.P., an entity affiliated with Mr. Miller (together, the "Lenders"). The Lenders are related parties to the Company as described in more detail in the Form 8-K filed by the Company with the SEC on July 29, 2008. Pursuant to a securities purchase agreement dated as of July 25, 2008, the Lenders loaned Proxim the aggregate sum of $3.0 million. This loan is reflected by promissory notes dated July 25, 2008 from Proxim to each of the Lenders in the initial principal amount of $1.5 million. The notes are unsecured. In connection with this transaction, Proxim paid each Lender a cash fee of $22,500, being 1.5% of the amount lent by each Lender.

All outstanding amounts are scheduled to be repaid on July 25, 2011. Proxim may prepay any or all outstanding principal amounts at any time by paying to the Lenders 102% of the principal amount being repaid. All outstanding amounts must be prepaid upon a change of control of Proxim (as defined in the securities purchase agreement) by paying 102% of the entire principal amount then outstanding. Amounts may also be required to be repaid earlier upon the occurrence of specified defaults by Proxim.

The notes accrue interest at 16% per annum. Interest payments are due and payable monthly in arrears on the last day of each calendar month beginning on July 31, 2008. In lieu of paying accrued interest in cash on each interest payment date, Proxim, at its sole discretion, may elect to pay interest in kind at the rate of 19% per annum, compounding monthly, in which case the accrued interest will be added to the outstanding principal amount of the notes and interest will accrue on that aggregate principal amount thereafter. In December 2008, Proxim did elect to pay the interest in kind and has continued to do so. As of June 30, 2009, the principal amount outstanding was $3,348,717 (which includes the original principal amount plus interest paid in kind).

In connection with the transactions contemplated by the securities purchase agreement, the Lenders agreed to cancel warrants that had been issued to the Lenders in July 2007. In the aggregate, warrants to purchase 925,000 shares of Proxim's common stock at an exercise price of $2.45 per share were cancelled effective July 25, 2008.

In connection with the transactions contemplated by the securities purchase agreement, Proxim issued the two Lenders warrants, dated July 25, 2008, to purchase an aggregate of 1,250,000 shares of Proxim's common stock (subject to adjustment) at an exercise price of $0.53 per share (subject to adjustment). The warrants may be exercised at any time until July 25, 2018. The warrants may be exercised by paying the exercise price to Proxim or by cashless exercise pursuant to a formula.

The incremental fair value of the warrants cancelled and regranted in connection with debt issuance was calculated on July 25, 2008 using the Black-Scholes option pricing model and amounted to $0.45 million. The fair value of the warrants is initially recorded as debt discount and Additional Paid in Capital and amortized to interest expense over the term of the debt. As of June 30, 2009, the unamortized discount was $0.31 million.

As described in Note 13 below, effective August 13, 2009, (a) an aggregate of $1.25 million of the debt described in this Note 8 was cancelled and (b) the per share exercise price of the warrants described in this Note 8 was reduced from $0.53 to $0.15.

**9. Discontinued Operations**

On August 29, 2008, the Company and its wholly owned subsidiary Terabeam Corporation entered into an Asset Purchase Agreement ("APA") with Renaissance Electronics Corp. ("Renaissance") and its wholly owned subsidiary HXI, LLC (together, the "Buyer") for the sale of Terabeam's Harmonix Division.

Pursuant to the APA, Terabeam sold generally its assets relating to its Harmonix Division in Haverhill, Massachusetts. Among the assets sold were US Patent Number 6,163,231 and US Trademark 2,655,290 — the GigaLink® trademark. The purchase price for these assets was approximately $5.3 million after contractually agreed adjustments. Of this amount, $750,000 was retained by the Buyer as a deposit towards product purchases under the OEM Agreement entered into in connection with the sale, and the remaining approximately $4.6 million has been paid in cash. The Company recognized a net gain of $2.4 million from this transaction, which was reported as part of discontinued operation gain/loss.

Terabeam and Proxim remain responsible for obligations relating to the Harmonix Division prior to August 29, 2008, while the Buyer generally is responsible for obligations relating to the Harmonix Division after August 29, 2008. All the employees of the Harmonix Division have been terminated by Proxim and substantially all of those employees have been hired by the Buyer.

The following table illustrates the activity included in discontinued operations for six months ended June 30, 2009 and 2008.

| **(in thousands)** | **June 30, 2009** | **June 30, 2008** |
|---|---|---|
| Revenue from discontinued operations | $ - | $ 1,870 |
| Income (loss) from operations of discontinued component -net of income tax | - | 100 |
| Gain (loss) on sale of discontinued component-net of income tax | - | - |
| Net Gain (loss) from discontinued operations | $ - | $ 100 |

The following table illustrates the reclassification in order for our prior period financial statements to conform to the current year presentation. The reclassification did not have an overall effect on our previously reported results of operations or cash flows.

| | 6 Months ended June 30, 2008 | | |
|---|---|---|---|
| **(in thousands)** | **As Reported** | **As Reclassed** | **Change** |
| Operating expenses | 18,790 | 18,714 | 76 |
| Net loss (continued operations) | (6,812) | (6,736) | (76) |
| Net income/(loss)-(discontinued operations) | $ 176 | $ 100 | $ 76 |

**10. Concentrations**

During the six months ended June 30, 2009, there were two customers who accounted for approximately 20% and 13% respectively of consolidated sales, and in the corresponding six months of 2008 these same customers accounted for approximately 14% and 12% respectively of consolidated sales.

The Company maintains the majority of its cash, cash equivalent, and restricted cash balances at one major US bank. The balances are insured by the Federal Deposit Insurance Corporation up to $250,000 per bank, ($100,000 per bank as of June, 2008). At June 30, 2009 and 2008, the uninsured portion totaled approximately $2.3 million and $4.9 million, respectively.

**11. Recent Accounting Pronouncements.**

On June 29, 2009, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 168, *The* FASB Accounting Standards Codification™ *and the Hierarchy of Generally Accepted Accounting Principles – a replacement of FASB Statement No. 162 ("SFAS 168").* SFAS 168 establishes the *FASB Accounting Standards Codification*™ as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with US GAAP. SFAS 168 will be effective for financial statements issued for interim and annual periods ending after September 15, 2009, for most entities. On the effective date, all non-SEC accounting and reporting standards will be superseded. The Company will adopt SFAS 168 for the quarterly period ended September 30, 2009, as required, and adoption is not expected to have a material impact on the Company's financial statements taken as a whole.

On May 28, 2009, the FASB issued SFAS No. 165, *Subsequent Events* ("SFAS 165"). Under SFAS 165, companies are required to evaluate events and transactions that occur after the balance sheet date but before the date the financial statements are issued, or available to be issued in the case of non-public entities. SFAS 165 requires entities to recognize in the financial statements the effect of all events or transactions that provide additional evidence of conditions that existed at the balance sheet date, including the estimates inherent in the financial preparation process. Entities shall not recognize the impact of events or transactions that provide evidence about conditions that did not exist at the balance sheet date but arose after that date. SFAS 165 also requires entities to disclose the date through which subsequent events have been evaluated. SFAS 165 was effective for interim and annual reporting periods ending after June 15, 2009. The Company adopted the provisions of SFAS 165 for the quarter ended June 30, 2009, as required, and adoption did not have a material impact on the Company's financial statements taken as a whole.

On April 1, 2009, the FASB issued FASB Staff Position No. FAS 141(R)-1, *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies* ("FSP 141(R)-1"). FSP 141(R)-1 provides additional guidance regarding the recognition, measurement and disclosure of assets and liabilities arising from contingencies in a business combination. FSP 141(R)-1 is effective for assets or liabilities arising from contingencies in business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The impact of the Company adopting FSP 141(R)-1 will depend on the timing of future acquisitions, as well as the nature and existence of contingencies associated with such acquisitions.

In September 2008, the FASB issued EITF issue 0705, *Determining whether an instrument (or an Embedded Feature) is index to an Entity's own Stock.* EITF Issue 07-5 supersedes EITF issue 01-6, '*The meaning of Indexed to a Company's Own Stock*' and establishes a two step process for evaluating whether equity-linked financial instruments and embedded features are index to a company's own for the purposes of determining whether the scope exception described in paragraph 11(a) SFAS 133, Accounting for Derivative Instruments and Hedging Activities ("SFAS 133", can be applied. EITF issue 07-05 is effective for financial statements issued for fiscal years beginning after December 15, 2008 (January 1, 2009 for calendar year companies), and interim periods within those fiscal years. Early application is not permitted by an entity that adopted an alternative accounting policy

**12. Commitments and Contingencies**

Purchase Commitments:

As described in Note 9 above, the Company entered into an OEM purchase agreement with Renaissance Electronics Corp. and HXI, LLC (together, the “Buyer”) in connection with the purchase of the Harmonix Division by those companies. The Company specifically agreed to purchase products from the Buyer having an aggregate purchase price of at least $1.5 million during the first twelve months after August 29, 2008. As of June 30, 2009, approximately $0.4 million of products were remaining to be purchased.

The Company entered into an OEM purchase agreement with a third party supplier in which the Company agreed to purchase a specified quantity of products in tranches on or before January 2010 with all payments due on or before March 31, 2010. As of June 30, 2009, approximately $560,000 of products remained to be purchased under that agreement.

**13. Subsequent Event**

On August 13, 2009, Proxim Wireless Corporation received an equity investment of $7,500,000, with $5,000,000 coming from SRA OSS, Inc., a wholly owned subsidiary of SRA Holdings, Inc. of Japan, a publicly held company listed on the Tokyo stock exchange, and $2.5 million coming from existing investors (consisting of $1.25 million of new cash investment and cancellation of $1.25 million in existing debt, which debt is described in Note 8 above).

The investment consisted of 2,500,000 shares of Proxim’s new Series A Convertible Preferred Stock and 1,250,000 shares of its new Series B Non-Convertible Preferred Stock issued in a private placement all at $2.00 per share for a total consideration of $7,500,000. Proxim received gross cash proceeds of $6,250,000 and $1,250,000 of subordinated debt issued by Proxim in July 2008 was cancelled. In connection with this transaction, Proxim appointed one SRA designee to its Board of Directors and the Compensation Committee of its Board of Directors.

SRA purchased 1,250,000 shares of the Series A stock and all 1,250,000 shares of the Series B stock while existing investors purchased the remaining 1,250,000 shares of the Series A stock. Each shares of Series A stock is initially convertible into 13 1/3 shares of Proxim’s common stock (determined by dividing the $2.00 per share Series A purchase price by the initial $0.15 conversion price); the Series B stock is not convertible into Proxim’s common stock. Dividends accrue on the Series A stock at rate of 7% per annum compounded quarterly, but only while the market price of Proxim’s common stock is less than $0.15 conversion price. Dividends accrue on the Series B stock at a rate of 10% per annum compounded quarterly, but that dividend rate could be increased to 15% per annum in certain situations.

The holders of the Series A stock and Series B stock can request redemption of that stock after three years, and Proxim can request redemption of that stock after four years. Holders of the Series A stock will vote with the holders of Proxim’s common stock as a single class on an as-converted basis; the Series B stock generally has no stockholder voting rights. In the case of most acquisition and liquidation situations, first the holders of the Series A stock and the Series B stock would receive their original investment plus accrued dividends and then the remaining proceeds would be distributed among the holders of Proxim’s common stock. However, if the proceeds remaining for distribution after the Series A and Series B preferential return exceed $30 million, then those remaining proceeds would be distributed pro rata among the holders of the common stock and the holders of the Series A stock on an as-converted basis.

In connection with this private placement, the per share exercise price of the two warrants held by the existing investors who participated in this private placement was reduced from $0.53 to $0.15. See Note 8 above for more details about these warrants.

## Item 4. Management’s Discussion and Analysis or Plan of Operation.

### Overview

The Company is a designer, manufacturer, and seller of high-speed wireless communications equipment. Our customers include service providers, enterprises, and governmental organizations worldwide. The company is a leading provider of broadband wireless equipment that delivers data, voice, video and mobility (also known as the “quadruple play”) to organizations of all sizes. Proxim’s portfolio of WLAN, Wi-Fi mesh, WiMAX, and point to point (PTP) products enable a broad range of applications including wireless security and surveillance, enterprise WLANs, last mile connectivity, public safety, cellular backhaul, and more. The Company believes its end to end wireless systems address the growing need of our customers and end-users to rapidly and cost effectively deploy high-speed communication networks.

Proxim’s broadband equipment is used by enterprises, service providers, carriers, government entities, educational institutions, healthcare organizations, municipalities and other organizations that need high-performance, secure and scalable broadband wireless solutions. Proxim is ISO-9001 certified.

Effective August 29, 2008 the Company sold substantially all assets of the Harmonix Division of its Terabeam Corporation subsidiary to Renaissance Electronics Corporation for gross proceeds of approximately $5.3 million. As part of the transaction, Proxim and Renaissance entered into an OEM product purchase agreement to ensure the uninterrupted supply and support of the Gigalink® radios developed and manufactured by Harmonix for our customers. The Harmonix division is stated as discontinued operation in all the periods presented.

### Critical Accounting Policies

Our discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of our consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, net revenue and expenses during the reporting period, and related disclosure of contingent assets and liabilities for the period reported and as of the date of the financial reports. We believe that the estimates and judgments upon which we rely are reasonable based upon information available to us at the time that these estimates and judgments are made. To the extent there are material differences between these estimates and actual results, our consolidated financial statements will be affected.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

*Revenue Recognition*

Product revenue is generally recognized upon shipment in accordance with SEC Staff Accounting Bulletin 104 (“SAB 104”), when persuasive evidence of an arrangement exists, the price is fixed or determinable and collect ability is reasonably assured. The company offers most stocking distributors a stock rotation right pursuant to which they may return products that have been recently purchased provided they place an equal value order for new products from us and the value of the returned products is a small fraction of the value of products purchased from us in the preceding quarter. In general, we also offer most stocking distributors price protection on products in their inventory or recently purchased from us in cases where we reduce prices on these products. In both cases, the distributors would receive a credit which can be used for purchase of additional products from us. In a small number of cases, we have agreed to accept return of discontinued or obsolete products. For other customers, we provide quarterly or annual rebates based on achievement of performance targets, loyalty discounts, and/or sales discounts. We apply SFAS No. 48, “Revenue Recognition When Right if Return Exists,” in determining when to recognize revenue. Under SFAS No. 48 revenue can be recognized if all of the following conditions are met:

1. The price is fixed and determinable at the date of sale;

2. The buyer’s payment obligation is not contingent on resale;

3. The buyer's payment obligation would not be changed in the event of theft or physical damage of the product;

4. The buyer acquiring the product for resale has economic substance apart from that provided by the seller;

5. The seller does not have significant obligations for future resale of the product; and

6. The amount of future returns can be reasonably estimated.

Based on our application of the SFAS No. 48 principles to our different customers, we currently recognize some revenue on a "sell in" basis and some on a deferred "sell through" basis. Generally factors 1 through 5 are satisfied upon our delivery of the products to our customer. The estimation of future returns depends on contractual terms and our historical experience with the customer.

Proxim revenue consists of direct shipments to customers or other equipment manufacturers (OEM), and distributors who resell our products to third party customers.

In the case of direct customers or OEM manufacturers we recognize revenue at point of shipment from either Proxim's facility or from our contract manufacturer's facilities when the product is shipped from the respective docks since title and acceptance are passed to the end customer. We meet the conditions of SAB 104, and SFAS 48 for revenue recognition at point of shipment for direct customer and OEM sales.

In the case of Proxim products which are sold to distributors we generally recognize revenue to most distributors on a "sell in" basis at point of shipment since we have met all of the conditions specified in SAB104, and SFAS 48 at point of shipment to the distributors.

In the case of our three largest stocking distributors, although they have comparable distribution contracts to the smaller distributors, we have historically deferred revenue for shipments which are either in transit to them, or are included in their period ending inventory reports. This revenue deferral practice for larger distributors has been applied historically by Proxim. These larger distributors have historically returned more product and requested larger stock rotations and price discounts versus the smaller distributors which was the primary reason that we have historically recognized their revenue using the "sell through" methodology. Under the "sell through" methodology we recognize revenue when our products are sold by these three largest stocking distributors.

*Accounts Receivable Valuation*

We maintain allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. We assess the customer's ability to pay based on a number of factors, including past transaction history with the customer as well as their creditworthiness. Management specifically analyzes accounts receivable and historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in our customer payment terms when evaluating the adequacy of the allowance for doubtful accounts. If the financial condition of any of our customers were to deteriorate in the future, resulting in an impairment of their ability to make payments, or they express unwillingness to pay for whatever reason, additional allowances may be required. We reserve 100% of outstanding receivable balances (a) from insolvent customers and (b) from customers which are delinquent by six months or more. We reserve 50% of outstanding receivable balances that are between 3 months to 6 months delinquent and subject to adjustments, as considered appropriate for specific situations.

*Inventory Valuation*

Inventories are stated at the lower of standard cost, which approximates actual cost under the first-in, first-out method, or market value. We perform a detailed assessment of inventory at each year-end balance sheet date, which includes, among other factors, a review of component demand requirements, product lifecycle and product development plans, and quality issues. Manufacturing inventory includes raw materials, work-in-process, and finished goods. Inventory valuation provisions are based on an excess obsolete report which captures all obsolete parts and products and all other inventory, which have quantities in excess of one year's projected demand, or in the case of service inventories demand of up to five years. As a result of this assessment, we write down inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of the inventory and the estimated liquidation value based upon assumptions about future demand and market conditions.

*Capitalized Software*

We capitalize certain software development costs in accordance with SFAS No. 86, *Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed*. We begin capitalizing software development costs upon the establishment of technological feasibility, which is established upon the completion of a working model or a detailed program design. Costs incurred prior to technological feasibility are charged to expense as incurred. Capitalization ceases when the product is considered available for general release to customers. Capitalized software costs are amortized on a product-by-product basis. The annual amortization is the greater of the amount computed using (a) the ratio that current gross revenues for a product bear to the total of current and anticipated future gross revenues for that product or (b) the straight-line method over the remaining estimated economic life of the product including the period being reported on. Generally, estimated economic lives of the software products do not exceed three years.

*Warranty Provision*

Proxim's standard warranty term is one year on the majority of our products and up to two years on a select group of products. At times we provide longer warranty terms. Proxim provides an estimated cost of product warranties at the time revenue is recognized. Factors that affect the Company's warranty liability include the number of installed units, historical and anticipated rates of warranty claims, and costs per claim for repair or replacement. While we engage in extensive product quality programs and processes, including actively monitoring and evaluating the quality of our component suppliers, our warranty obligation is affected by product failure rates, material usage and service labor costs incurred in correcting a product failure. Should actual product failure rates, material usage, service labor or delivery costs differ from our estimates, revisions to the estimated warranty liability would be required.

*Valuation of Stock-based Awards*

As of June 30, 2009, we have one active stock-based employee compensation plan and four inactive (legacy) plans, which are described more fully in Note 13 of 10-K for year ended December 31, 2008 filed with Securities and Exchange Commission.

We account for stock-based compensation in accordance with the fair value recognition provisions of SFAS No. 123R. Under SFAS No. 123R, stock-based compensation cost is measured at the grant date based on the value of the award and is recognized as expense over the vesting period of the individual equity instrument. Determining the fair value of stock-based awards at the grant date requires judgment, including estimating the expected term of stock options, the expected volatility of our stock, and expected dividends. The computation of the expected volatility assumption used in the Black-Scholes calculation for option grants is based on historical volatility as options on our stock are not traded. The Company uses the "simplified" method to determine the expected term for the "plain vanilla" options. We are also required to estimate the expected forfeiture of stock options in recognizing stock-based compensation expense. Further, we have elected to use the straight-line method of amortization for stock-based compensation related to stock options granted after January 1, 2006.

**Result of Operations**

The following table presents the percentage of revenues represented by each item in our unaudited consolidated statements of income and the percentage change in those items for the periods indicated:

| Three months ended June 30, | | | Change | | Percentage of Revenues | |
|---|---|---|---|---|---|---|
| (in thousands) | 2009 | 2008 | Amount | Percentage | 2009 | 2008 |
| Net revenues | $ 7,213 | $ 15,088 | $ (7,875) | -52.2% | 100.0% | 100.0% |
| Cost of sales | 3574 | 7,831 | (4,257) | -54.4% | 49.5% | 51.9% |
| Gross profit | 3639 | 7257 | (3,618) | -49.9% | 50.5% | 48.1% |
| Operating expenses: | | | | | | |
| Selling and marketing expense | 2459 | 5,137 | (2,678) | -52.1% | 34.1% | 34.0% |
| General and administrative | 1002 | 3,051 | (2,049) | -67.2% | 13.9% | 20.2% |
| Research and development expense | 539 | 1,082 | (543) | -50.2% | 7.5% | 7.2% |
| Total operating expenses | 4000 | 9,270 | (5,270) | -56.9% | 55.5% | 61.4% |
| Operating income (loss) | (361) | (2,013) | 1,652 | -82.1% | -5.0% | -13.3% |
| Other income (expense) | (272) | 677 | (949) | -140.2% | -3.8% | 4.5% |
| Income tax expense (benefit) | (17) | (41) | 24 | -58.5% | -0.2% | -0.3% |
| Income (loss) from continuing operations | (650) | (1,377) | 727 | -52.8% | -9.0% | -9.1% |
| Income (loss) from discontinued operations | - | 13 | (13) | -100.0% | 0.0% | 0.1% |
| Net income (loss) | $ (650) | $ (1,364) | $ 714 | -52.3% | -9.0% | -9.0% |

| Six months ended June 30 | | | Change | | Percentage of Revenues | |
|---|---|---|---|---|---|---|
| (in thousands) | 2009 | 2008 | Amount | Percentage | 2009 | 2008 |
| Net revenues | $ 15,104 | $ 25,331 | $(10,227) | -40.4% | 100.0% | 100.0% |
| Cost of sales | 7,118 | 13,752 | (6,634) | -48.2% | 47.1% | 54.3% |
| Gross profit | 7,986 | 11,579 | (3,593) | -31.0% | 52.9% | 45.7% |
| Operating expenses: | | | | | | |
| Selling and marketing expense | 4,665 | 10,164 | (5,499) | -54.1% | 30.9% | 40.1% |
| General and administrative | 2,441 | 6,424 | (3,983) | -62.0% | 16.2% | 25.4% |
| Research and development expense | 1,148 | 2,126 | (978) | -46.0% | 7.6% | 8.4% |
| Total operating expenses | 8,254 | 18,714 | (10,460) | -55.9% | 54.6% | 73.9% |
| Operating income (loss) | (268) | (7,135) | 6,867 | -96.2% | -1.8% | -28.2% |
| Other income (expense) | (506) | 512 | (1,018) | -198.8% | -3.4% | 2.0% |
| Income tax expense (benefit) | (72) | (113) | 41 | -36.3% | -0.5% | -0.4% |
| Income (loss) from continuing operations | (846) | (6,736) | 5,890 | -87.4% | -5.6% | -26.6% |
| Income (loss) from discontinued operations | - | 100 | (100) | -100.0% | 0.0% | 0.4% |
| Net income (loss) | $ (846) | $ (6,636) | $ 5,790 | -87.3% | -5.6% | -26.2% |

*Sales*

Sales for second quarter of 2009 were $7.2 million as compared to $15.1 million for the same period in 2008, a decrease of $7.9 million or 52%. Sales for six months ended June 30, 2009 were $15.1 million as compared to $25.3 million for the same period in 2008, a decrease of $10.2 million or 40%. Our revenue declined primarily due to the continuing impact of the worldwide economic slowdown on broadband wireless sales.

For the three months ended June 30, 2009 and 2008, international sales were approximately $2.7 million and $10.6 million, respectively, comprising 37.5% and 70% of our total sales. For the six months ended June 30, 2009 and 2008, international sales were approximately $6.5 million and $17.6 million, respectively, comprising 43% and 70% of our total sales.

*Cost of goods sold and gross profit*

Cost of goods sold and gross profit for the three months ended June 30, 2009 were approximately $3.6 million and $3.6 million, respectively. For the same period in 2008, costs of goods sold and gross profit were $7.8 million and $7.3 million, respectively. Gross profit margin, as percentage of sales, for the three months ended June 30, 2009 and 2008 was relatively flat at 51% and 48% respectively.

Cost of goods sold and gross profit for the six months ended June 30, 2009 were approximately $7.1 million and $8.0 million, respectively. For the same period in 2008, costs of goods sold and gross profit were $13.8 million and $11.5 million, respectively. Gross profit margin, as percentage of sales, for the six months ended June 30, 2009 and 2008 was 53% and 46% respectively. The margin improvement for the six months ended June 30, 2009 consisted primarily of 7% in one-time benefits, including catch up billings and the release of inventory reserves.

*Sales and Marketing Expenses*

Selling and marketing expenses consist primarily of employee salaries and associated costs for selling, marketing, and customer support. Selling and marketing expenses decreased to $2.5 million for the three months ended June 30, 2009 from $5.1 million for the same period in 2008, representing a 52% decrease from the prior year. Selling and marketing expensed decreased to $4.7 million for the six months ended June 30, 2009 from $10.2 million for the same period in 2008, representing a 54% decrease from the prior year. The decrease was the result of lower headcount and reduced travel related to management's objective of rationalizing selling costs by territory.

*Research and Development Expenses*

Research and development expenses consist primarily of personnel salaries and fringe benefits and related costs associated with our product development efforts. These include costs for development of products and components, test equipment and related facilities. Research and development expenses decreased to $0.5 million for the three months ended June 30, 2009, from $1.1 million for the same period in 2008, a $0.6 million favorable reduction in operating expenses. Research and development expenses decreased to $1.1 million for the six months ended June 30, 2009, from $2.1 million for the same period in 2008, a $1.0 million favorable reduction in operating expenses.

The decrease in research and development expenses was primarily due to further reduction in headcount costs and discretionary expenses in the first half of 2009.

*General and Administrative*

General and administrative expenses consist primarily of employee salaries, benefits and associated costs for information systems, finance, legal, and administration of a public company. General and administrative expenses decreased to $1.0 million for three months ended June 30, 2009 from $3.1 million for the same period in 2008, a $2.1 million or 67% decrease. General and administrative expenses decreased to $2.4 million for six months ended June 30, 2009 from $6.4 million for the same period in 2008, a $4.0 million or 62% decrease. The decrease for both the three and six month period are the result of the cost reduction plan implemented at the beginning of 2009.

*Other income (expenses)*

Other income and expenses totaled approximately $0.3 million expense for the three months ended June 30, 2009, as compared to $0.7 million income for the same period in 2008. The $1.0 million increase in expense in 2009 was primarily due to interest expenses from the notes issued in July 2008 and $850,000 income from the sale of patents in the second quarter of 2008.

**Liquidity and Capital Resources**

**General**

At June 30, 2009, we had cash and cash equivalents of $2.5 million. This excludes restricted cash of $0.1 million. For the six months ended June 30, 2009, cash used by operations was approximately $2.2 million. We currently are meeting our working capital needs through cash on hand (including cash we have borrowed) as well as internally generated cash from operations and other financing activities. Net cash used by investing activities in the six months ended June 30, 2009 was $0.5 million.

For the six months ended June 30, 2009, cash provided by financing activities was approximately $0.2 million. In March 2009, we paid off and closed our $1.5 million credit line with Comerica Bank and at the same time borrowed $1.5 million from Bridge Bank. On June 2009, we borrowed an additional $0.9 million from Bridge Bank pursuant to our line of credit with that bank. For details, please see Footnote 7 to the financial statements.

We believe that cash from operations, along with our cash on hand (including proceeds from our equity financing completed on August 13, 2009) and expected ability to borrow additional funds pursuant to our credit line, should be sufficient to meet our operating cash requirements over the next twelve month period as currently contemplated. However, we recognize that we have limited cash on hand and limited margin for error in implementing our desired business plan and are in a very difficult economic environment. Our long-term financing requirements depend upon our growth strategy, which relates primarily to our desire to increase revenue both domestically as well as internationally. For the balance of 2009, we must continue our efforts to increase revenues and adjust operating expenses to levels that will produce positive cash flows and return us to ongoing operational profitability.

Since we have historically experienced fluctuations in our level of quarterly revenue, management is closely following revenue trends and operating expenses, and reviewing its long term business strategy to evaluate whether there will be a requirement for external financing to fund our operations. Our current resources may have to be supplemented through additional bank debt financing, public or private debt or equity offerings, product line or asset sales, or other means due to a number of factors.

**Recently Issued Accounting Standards**

See Note 2 of Notes to Consolidated Financial Statements for recent accounting pronouncements that could have an effect on us.

**Item 5. Legal Proceedings.**

**IPO Litigation**

During the period from June 12 to September 13, 2001, four purported securities class action lawsuits were filed against Telaxis Communications Corporation, a predecessor company to Proxim Wireless Corporation, in the U.S. District Court for the Southern District of New York: Katz v. Telaxis Communications Corporation et al., Kucera v. Telaxis Communications Corporation et al., Paquette v. Telaxis Communications Corporation et al., and Inglis v. Telaxis Communications Corporation et al. The lawsuits also named one or more of the underwriters in the Telaxis initial public offering and certain of its officers and directors. On April 19, 2002, the plaintiffs filed a single consolidated amended complaint which supersedes the individual complaints originally filed. The amended complaint alleges, among other things, violations of the registration and antifraud provisions of the federal securities laws due to alleged statements in and omissions from the Telaxis initial public offering registration statement concerning the underwriters' alleged activities in connection with the underwriting of Telaxis' shares to the public. The amended complaint seeks, among other things, unspecified damages and costs associated with the litigation. These lawsuits have been assigned along with, we understand, approximately 1,000 other lawsuits making substantially similar allegations against approximately 300 other publicly-traded companies and their public offering underwriters to a single federal judge in the U.S. District Court for the Southern District of New York for consolidated pre-trial purposes. We believe the claims against us are without merit and have defended the litigation vigorously. The litigation process is inherently uncertain, however, and there can be no assurance that the outcome of these claims will be favorable for us.

On July 15, 2002, together with the other issuer defendants, Telaxis filed a collective motion to dismiss the consolidated amended complaint against the issuers on various legal grounds common to all or most of the issuer defendants. The underwriters also filed separate motions to dismiss the claims against them. In October 2002, the court approved a stipulation dismissing without prejudice all claims against the Telaxis directors and officers who had been defendants in the litigation. On February 19, 2003, the court issued its ruling on the separate motions to dismiss filed by the issuer defendants and the underwriter defendants. The court granted in part and denied in part the issuer defendants' motions. The court dismissed, with prejudice, all claims brought against Telaxis under the anti-fraud provisions of the securities laws. The court denied the motion to dismiss the claims brought under the registration provisions of the securities laws (which do not require that intent to defraud be pleaded) as to Telaxis and as to substantially all of the other issuer defendants. The court denied the underwriter defendants' motion to dismiss in all respects.

In June 2003, along with virtually all of the other non-bankrupt issuer defendants, we elected to participate in a proposed settlement agreement with the plaintiffs in this litigation. If the proposed settlement had been approved by the court, it would have resulted in the dismissal, with prejudice, of all claims in the litigation against us and against the other issuer defendants who elected to participate in the proposed settlement, together with the current or former officers and directors of participating issuers who were named as individual defendants. This proposed issuer settlement was conditioned on, among other things, a ruling by the court that the claims against us and against the other issuers who had agreed to the settlement would be certified for class action treatment for purposes of the proposed settlement, such that all investors included in the proposed classes in these cases would be bound by the terms of the settlement unless an investor opted to be excluded from the settlement.

On December 5, 2006, the U.S. Court of Appeals for the Second Circuit issued a decision in re Initial Public Offering Securities Litigation that six purported class action lawsuits containing allegations substantially similar to those asserted against us (the so-called "focus cases") may not be certified as class actions due, in part, to the Appeals Court's determination that individual issues of reliance and knowledge would predominate over issues common to the proposed classes. On January 8, 2007, the plaintiffs filed a petition seeking rehearing en banc of the Second Circuit Court of Appeals' decision. On April 6, 2007 the Court of Appeals denied the plaintiffs' petition for rehearing of the Court's December 5, 2006 ruling but noted that the plaintiffs remained free to ask the District Court to certify classes different from the ones originally proposed which might meet the standards for class certification that the Court of Appeals articulated in its December 5, 2006 decision. In light of the Court of Appeals' December 5, 2006 decision regarding certification of the plaintiffs' claims, the District Court entered an order on June 25, 2007 terminating the proposed settlement between the plaintiffs and the issuers, including us.

On August 14, 2007, the plaintiffs filed amended complaints in the six focus cases. On November 13, 2007, the issuer defendants and the underwriter separately moved to dismiss the claims against them in the amended complaints in the six focus cases. On March 26, 2008, the District Court issued an order in which it denied in substantial part the motions to dismiss the amended complaints in the six focus cases.

Additionally, on September 27, 2007, the plaintiffs moved to certify different classes in the six focus cases. The issuer defendants and the underwriter defendants filed separate oppositions to those motions on December 21, 2007. On October 10, 2008, the plaintiffs voluntarily withdrew their motions for class certification without prejudice.

On February 25, 2009, the parties advised the District Court that they have reached an agreement-in-principle to settle the litigation in its entirety. A stipulation of settlement was filed with the District Court on April 2, 2009. On June 9, 2009, the District Court preliminarily approved the proposed global settlement, directed that notice be provided to the class, and scheduled a settlement fairness hearing, at which members of the class may object to the proposed settlement, for September 10, 2009. The proposed global settlement remains subject to final approval by the District Court. The litigation process is inherently uncertain and unpredictable, however, and there can be no guarantee as to the ultimate outcome of this pending lawsuit. While there can be no assurance as to the ultimate outcome of these proceedings, we currently believe that the final result of these actions will have no material effect on our consolidated financial condition, results of operations, or cash flows.

**General**

We are subject to potential liability under contractual, employee, and other matters and various claims and legal actions which are pending or may be asserted against us or our subsidiaries. These matters may arise in the ordinary course and conduct of our business.

**Item 6. Defaults upon Senior Securities.**

None.

**Item 7. Other Information.**

Effective May 13, 2009, Proxim Wireless Corporation amended its lending relationship with Bridge Bank, National Association by means of a Loan and Security Modification Agreement and an Intellectual Property Security Agreement, each dated as of May 13, 2009. In the modification agreement, Proxim acknowledged that it was in default of its covenant to achieve a specified minimum revenue target for the quarter ended March 31, 2009, and Bridge Bank waived that default. Also, Bridge Bank accepted a revised 2009 operating plan for Proxim and received a $5,000 waiver fee. Pursuant to that document and also the Intellectual Property Security Agreement, Bridge Bank's security interest in Proxim's property was expanded to cover Proxim's intellectual property. The foregoing description of the Loan and Security Modification Agreement and the Intellectual Property Security Agreement does not purport to be complete and is qualified in its entirety by the terms and conditions of those two documents, copies of which are filed as Exhibits 1 and 2 to this quarterly disclosure statement and which are incorporated by reference.

Reference is made to the Form 8-K that Proxim Wireless Corporation filed with the Securities and Exchange Commission on April 14, 2009 relating to the Change of Control Severance Agreement, dated April 9, 2009, between Proxim and Thomas S. Twerdahl.

**Item 8. Exhibits.**

Reference is made to the Exhibit List to the Annual Report on Form 10-K filed by Proxim Wireless with the Securities and Exchange Commission on March 31, 2009 and available through EDGAR (www.sec.gov). That exhibit list provides information about Proxim's material contracts, certificate of incorporation, by-laws, and other matters. In addition, Proxim filed a Form 8-K with the Securities and Exchange Commission on April 14, 2009 to which a copy of the Change of Control Severance Agreement, dated April 9, 2009, between Proxim and Thomas S. Twerdahl was attached as Exhibit 10.1.

In addition, the following exhibits are included with this quarterly disclosure statement:

| Exhibit No. | Description |
|---|---|
| 1 | Loan and Security Modification Agreement, dated as of May 13, 2009, between Proxim Wireless Corporation and Bridge Bank, National Association |
| 2 | Intellectual Property Security Agreement, dated as of May 13, 2009, between Proxim Wireless Corporation and Bridge Bank, National Association |

**Item 9. Certifications.**

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Pankaj S. Manglik, certify that:

1. I have reviewed this quarterly disclosure statement of Proxim Wireless Corporation;

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

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: August 18, 2009

/s/ Pankaj S. Manglik
Pankaj S. Manglik
President and Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Thomas S. Twerdahl, certify that:

1. I have reviewed this quarterly disclosure statement of Proxim Wireless Corporation;

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

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: August 18, 2009

/s/ Thomas S. Twerdahl
Thomas S. Twerdahl
Interim Chief Financial Officer