# PROXIM WIRELESS CORPORATION

## QUARTERLY REPORT

For Third Quarter Ended September 30, 2010

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 the ongoing uncertainty in the telecommunications industry and larger economy; our limited capital resources and recent history of significant losses; our possible need or desire to raise additional funds, the availability of any such funds, and the terms of any such fundraising; the recent reverse split of our common stock and subsequent stock price decline; our ability to increase our sales in the Americas and elsewhere; 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; 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; perceived or actual quality issues with our products; 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 or financing transactions Proxim may evaluate or consummate. Further information on these and other factors that could affect Proxim's actual results is and will be contained in the filings made by Proxim with the OTCQX (available at www.otcqx.com), including without limitation in the Annual Report filed by Proxim on March 30, 2010, 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<br>Northampton, MA 01060<br><br>Telephone: (413) 584-1425<br>Email Address: IR@proxim.com |

**Item 2. Shares outstanding.**

The following table sets forth information concerning the stock of Proxim as of September 30, 2010 (except as otherwise noted):

| Class of Stock | 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 | 235,088 | 194,334 | 2,206 | 40 |
| Series A Convertible Preferred Stock | 2,500,000 | 2,500,000 | - | - | 3 |
| Series B Non-Convertible Preferred Stock | 1,250,000 | 1,250,000 | - | - | 1 |
| Preferred (undesignated) | 750,000 | - | - | - | - |

(1) For purposes of this calculation only, shares of common equity held by each of Proxim's directors and officers on the given 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 beneficial share range analysis as of September 30, 2010.

**Item 3. Interim Financial Statements.**

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

| | September 30, 2010 | December 31, 2009 |
|---|---|---|
| | (unaudited) | |
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 3,384 | $ 5,720 |
| Accounts receivable, net of allowance for doubtful accounts, returns and discounts of $2,344 for September 30, 2010 and $2,032 for December 31, 2009 | 3,436 | 2,983 |
| Inventory, net | 2,099 | 2,948 |
| Prepaid expenses | 294 | 388 |
| Total current assets | 9,213 | 12,039 |
| Property and equipment, net | 2,434 | 2,615 |
| Other assets: | | |
| Restricted cash | 77 | 77 |
| Intangible assets, net | 3,543 | 4,744 |
| Deposits and prepaid expenses | 344 | 382 |
| Total other assets | 3,964 | 5,203 |
| Total assets | $ 15,611 | $ 19,857 |
| **LIABILITIES, REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)** | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | $ 4,606 | $ 5,229 |
| Line of credit payable | 2,556 | 2,055 |
| Deferred revenue | 1,081 | 1,344 |
| Notes payable, net of discount , current | 2,539 | 558 |
| Total current liabilities | 10,782 | 9,186 |
| Deferred revenue, net of current | 375 | 397 |
| Notes payable, net of discount, net of current | - | 1,512 |
| Other long term liabilities | 133 | 159 |
| Total liabilities | 11,290 | 11,254 |
| Commitments and contingencies | | |
| Redeemable preferred stock: | | |
| Series A convertible, $0.01 par value - 2,500,000 shares authorized as of September 30, 2010 and December 31, 2009; 2,500,000 issued and outstanding as of September 30, 2010 and December 31, 2009. Aggregate liquidation preferences $5,198 as of September 30, 2010 and $5,047 as of December 31, 2009 | 4,811 | 4,598 |
| Series B non-convertible, $0.01 par value - 1,250,000 shares authorized as of September 30, 2010 and December 31, 2009; 1,250,000 issued and outstanding as of September 30, 2010 and December 31, 2009. Aggregate liquidation preferences $2,854 as of September 30, 2010 and $2,648 as of December 31, 2009 | 2,660 | 2,423 |
| Total redeemable preferred stock | 7,471 | 7,021 |
| Stockholders' equity (deficit): | | |
| Common stock, $0.01 par value, at amount paid in; 100,000,000 shares authorized; 235,088 shares issued and outstanding as of September 30, 2010 and 235,191 shares issued and outstanding as of December 31, 2009 | 65,290 | 65,382 |
| Accumulated deficit | (68,440) | (63,800) |
| Total stockholders' equity (deficit) | (3,150) | 1,582 |
| Total liabilities, redeemable preferred stock and stockholders' equity (deficit) | $ 15,611 | $ 19,857 |

The accompanying notes are an integral part of the consolidated financial statements.

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

| | Three Months Ended Sept. 30, | | Nine Months Ended Sept. 30, | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| Revenues | $ 7,636 | $ 6,952 | $ 23,406 | $ 22,056 |
| Cost of goods sold | 4,307 | 4,846 | 12,456 | 11,964 |
| Gross profit | 3,329 | 2,106 | 10,950 | 10,092 |
| Operating expenses: | | | | |
| Research and development | 658 | 675 | 1,786 | 1,823 |
| Selling costs | 2,795 | 2,712 | 7,946 | 7,377 |
| General and administrative | 1,427 | 1,861 | 5,314 | 4,302 |
| Total operating expenses | 4,880 | 5,248 | 15,046 | 13,502 |
| Operating loss | (1,551) | (3,142) | (4,096) | (3,410) |
| Other income (expenses): | | | | |
| Interest income (expense) | (205) | (212) | (584) | (632) |
| Other income (expense) | (1) | (120) | 55 | (206) |
| Total other income (expenses) | (206) | (332) | (529) | (838) |
| Loss before income tax | (1,757) | (3,474) | (4,625) | (4,248) |
| Benefit (provision) for income taxes | (44) | (27) | (15) | (99) |
| Net income (loss) | $ (1,801) | $ (3,501) | $ (4,640) | $ (4,347) |
| Accretion to redemption value of redeemable preferred stock | 203 | 104 | 450 | 104 |
| Net loss attributable to common stockholders | $ (2,004) | $ (3,605) | $ (5,090) | $ (4,451) |
| Weighted average number of shares-basic and diluted used in computing net earnings (loss) per share | 235 | 235 | 235 | 235 |
| Basic and diluted net earnings (loss) per share | $ (8.53) | $ (15.34) | $ (21.66) | $ (18.94) |

The accompanying notes are an integral part of the consolidated financial statements.

**PROXIM WIRELESS CORPORATION**
**CONSOLIDATED STATEMENTS OF CHANGES IN REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)**
**(In thousands, except share data)**
**(Unaudited)**

| | Redeemable Preferred Stock | | | | Common Stock | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Series A Convertible | | Series B Non-Convertible | | | | | | |
| | Shares | Amount | Shares | Amount | Shares | Amount | Additional Paid-in Capital | Retained Earnings (Deficit) | Total Stockholders' Equity (Deficit) |
| **Balances, January 1, 2010** | 2,500,000 | $ 4,598 | 1,250,000 | $ 2,423 | 235,191 | $ 2 | $ 65,380 | $ (63,800) | $ 1,582 |
| Stock based compensation | - | - | - | - | - | - | 360 | - | 360 |
| Accretion to redemption value of redeemable preferred stock | - | 213 | - | 237 | - | - | (450) | - | (450) |
| Payment for fraction shares in result of reverse stock split | | | | | (103) | - | (2) | | (2) |
| Net loss | - | $ - | - | $ - | - | $ - | $ - | $ (4,640) | $ (4,640) |
| Total comprehensive loss | - | $ - | - | $ - | - | $ - | $ - | $ (4,640) | $ (4,640) |
| **Balances, September 30, 2010** | 2,500,000 | $ 4,811 | 1,250,000 | $ 2,660 | 235,088 | $ 2 | $ 65,288 | $ (68,440) | $ (3,150) |

The accompanying notes are an integral part of the consolidated financial statements.

## PROXIM WIRELESS CORPORATION
## CONSOLIDATED STATEMENTS OF CASH FLOWS
## (In thousands)
## (Unaudited)

| | Nine Months Ended September 30, 2010 | Nine Months Ended September 30, 2009 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net loss | $ (4,640) | $ (4,347) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 2,024 | 1,935 |
| Bad debt allowance | 249 | 225 |
| Inventory allowance | 133 | (547) |
| Stock-based compensation | 360 | 380 |
| Amortization of debt discount and issuance cost | 113 | 113 |
| Restructured lease accrual release | - | (974) |
| Changes in assets and liabilities affecting operations: | | |
| Accounts receivable | (702) | 281 |
| Inventory | 716 | 1,021 |
| Prepaid expense and other current assets | 94 | 1,124 |
| Other non-current assets | 38 | 60 |
| Accounts payable and accrued expenses | (258) | (1,954) |
| Deferred revenue | (285) | (408) |
| Other liabilities | (26) | (178) |
| Net cash used in operating activities | (2,184) | (3,269) |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (31) | (148) |
| Investment in capitalized software | (620) | (623) |
| Net cash provided by (used in) investing activities | (651) | (771) |
| Cash flows from financing activities: | | |
| Payment of fractional shares in result of reverse stock split | (2) | - |
| Proceeds from line of credit | 675 | 2,376 |
| Principal payments on loan obligations | (174) | (1,589) |
| Payment of license agreement payable | - | (1,023) |
| Proceeds from issuance of preferred stock, net of issuance costs | - | 5,560 |
| Net cash provided by financing activities | 499 | 5,324 |
| Net change in cash and cash equivalents | (2,336) | 1,284 |
| Cash and cash equivalents at beginning of period | 5,720 | 5,092 |
| Cash and cash equivalents at end of period | $ 3,384 | $ 6,376 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for interest | $ 111 | $ 69 |
| Income taxes paid (refund) | $ 9 | $ 101 |
| Supplemental schedule of non-cash investing and financing activities: | | |
| Debt cancellation in conjunction with Series A convertible conditional redeemable preferred stock | - | $ 1,250 |
| Accretion to redemption value of redeemable preferred stock | $ 450 | $ 104 |

The accompanying notes are an integral part of the consolidated financial statements.

## PROXIM WIRELESS CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

### 1. Basis of Presentation

The consolidated financial statements of Proxim Wireless Corporation (the “Company” or “Proxim”) for the three month and nine month periods ended September 30, 2010 and 2009 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 for the year ended December 31, 2009 filed with the OTCQX (www.otcqx.com). 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, point to multipoint, 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.

*One-for-One Hundred Reverse Common Stock Split in May 2010*

On December 8, 2009, the Company held its 2009 annual meeting of stockholders. At that meeting, the Company received stockholder approval of a proposal to amend its Certificate of Incorporation, as amended to date, to effect a reverse stock split of the Company’s common stock at a ratio within the range from one-for-ten to one-for-one hundred at any time prior to December 8, 2010.

In April 2010, the Company’s Board of Directors authorized and approved the implementation of a reverse common stock split at a ratio of one-for-one hundred shares and authorized and directed the Company to file an amendment to its Certificate of Incorporation, as amended to date, with the Delaware Secretary of State to effect that reverse stock split. As of May 13, 2010, the effective date of the reverse stock split, every hundred (100) shares of the Company’s common stock outstanding prior to the reverse split was converted into one (1) “new” share of the Company’s common stock outstanding after the reverse stock split. The reverse split reduced the number of outstanding shares of the Company’s common stock from approximately 23.5 million shares to 235,088 shares. Any stockholder who would have received a fraction of a share of common stock after the reverse stock split instead received a cash payment in lieu of that fractional share based on the recent OTCQX trading price of Proxim’s common stock. The exercise price and number of shares of common stock issuable under the Company’s outstanding warrants and options and under its equity incentive plans were proportionately adjusted to reflect the reverse common stock split. The number of common shares issuable upon conversion of the Company’s Series A preferred stock and the number of votes associated with the Company’s Series A preferred stock were proportionately reduced to reflect the reverse common stock split.

All references in this quarterly report to earnings per share, number of common shares, warrants, stock options, and share price have been retroactively restated to reflect the reverse common stock split unless noted otherwise.

## 2. Recent Accounting Pronouncements

There was no new accounting pronouncement that became effective during the third quarter 2010 that will have a material impact on the Company's financial statement taken as a whole.

## 3. Inventory, net

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

| | September 30, 2010 | December 31, 2009 |
|---|---|---|
| Raw materials | $ 1,824 | $ 2,337 |
| Work in process | 302 | 306 |
| Finished goods | 2,087 | 2,440 |
| | $ 4,213 | $ 5,083 |
| Allowance for excess and obsolescence | (2,114) | (2,135) |
| Inventory, net | $ 2,099 | $ 2,948 |

## 4. Intangibles Assets, net

*Schedule of Non-Amortizable Assets:*

| | September 30, 2010 | December 31, 2009 |
|---|---|---|
| | (in thousands) | |
| Trade names — indefinite useful life | $ 780 | $ 780 |
| | $ 780 | $ 780 |

*Schedule of Amortizable Assets:*

| | September 30, 2010 | December 31, 2009 |
|---|---|---|
| | (in thousands) | |
| Patents, customer relationships and other technologies with identifiable useful lives | $ 10,455 | $ 10,455 |
| Less: accumulated amortization | (7,692) | (6,491) |
| Amortizable intangible assets, net | $ 2,763 | $ 3,964 |

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 nine months ended September 30, 2010 was approximately $0.4 million and $1.2 million, respectively. There is no estimated residual value.

## 5. Property and equipment, net

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

| | | September 30, 2010 | | December 31, 2009 |
|---|---|---|---|---|
| Leasehold improvement | $ | 299 | $ | 299 |
| Capitalized software | | 4,341 | | 3,721 |
| Equipment | | 3,204 | | 3,615 |
| | $ | 7,844 | $ | 7,635 |
| Less: accumulated depreciation | | (5,410) | | (5,020) |
| Property and equipment, net | $ | 2,434 | $ | 2,615 |

Depreciation expenses for the three months and nine months ended September 30, 2010 were approximately $0.3 and $0.8 million, respectively.

## 6. Allowance for Product Warranty Costs

The following table presents a summary of the changes to product warranty costs during the nine months ended September 30, 2010 and 2009 (in thousands):

| | | 2010 | | 2009 |
|---|---|---|---|---|
| Balance at January 1, | $ | 192 | $ | 561 |
| Settlements and adjustments | | 11 | | (280) |
| Balance at September 30, | $ | 203 | $ | 281 |

## 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. This agreement has been amended a number of times as described in the Company’s filings with the OTCQX. 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.

On May 5, 2010, the Company signed documentation with Bridge Bank, N.A. to extend the Company’s existing lending relationship another year through May 10, 2011 on substantially the same terms. In connection with that extension, Proxim agreed to pay Bridge Bank a $50,000 facility fee. Bridge Bank also consented to Proxim consummating the 1-for-100 reverse stock split and repurchasing fractional shares resulting from that split in the aggregate amount of up to $50,000.

As of September 30, 2010, Proxim had an outstanding loan balance of $2.6 million. The weighted average interest rate for this line of credit as of September 30, 2010 was 7.5%.

As of September 30, 2010, the Company was not in compliance with one of the financial covenants contained in its Loan Agreement with the Bank. The Company has requested a waiver of this covenant non-compliance.

## 8. Notes Payable - 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 described in Note 9 below, in August 2009, $1.25 million of this indebtedness was cancelled. As of September 30, 2010, the principal amount outstanding was $2.7 million (which includes principal balance as of September 30, 2010 plus interest paid in kind). As the notes are currently due in July 2011, all amounts payable relating to those notes are shown as current liabilities as of September 30, 2010. We note that the $5.8 million of accounts payable and accrued expenses shown in our December 31, 2009 balance sheet contained in our 2009 annual and prior 2010 quarterly reports included $0.6 million of liability relating to the notes. For clarity, we removed these $0.6 million of liabilities from the general accounts payable and accrued expense line and listed them on the specific notes payable line for the December 31, 2009 balance sheet contained in this quarterly report. This presentation did not change the amount of liabilities shown on our December 31, 2009 balance sheet nor did it have any effect on our previously reported results of operations or cash flows.

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 9,250 shares of Proxim's common stock at an exercise price of $245 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 12,500 shares of Proxim's common stock (subject to adjustment) at an exercise price of $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. In August 2009, the exercise price of these warrants was reduced to $15 per share in connection with the preferred stock issuance transaction described in Note 9 below.

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 $445,000. This fair value increased to $449,000 with the modification of warrants' exercise price from $53 to $15 per share in August 2009. The fair value of the warrants was initially recorded as debt discount and additional paid-in capital and amortized to interest expense over the term of the debt. As of September 30, 2010, the unamortized discount was $125,273.

## 9. Redeemable Preferred Stock

On August 13, 2009, Proxim 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 share of Series A stock is initially convertible into 0.1333 shares of Proxim's common stock (determined by dividing the $2.00 per share

Series A purchase price by the initial $15 conversion price); the Series B stock is not convertible into Proxim's common stock. Dividends accrue monthly on the Series A stock at rate of 7% per annum compounded quarterly, but only while the average market price of Proxim's common stock for such month is less than $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 if the Company does not achieve certain financial targets for the third or fourth quarters of 2009 or if there is a material breach of the Company's representations and warranties it made in the preferred stock purchase agreement pursuant to which this preferred stock was originally issued. The actual dividend rate for the applicable portion of the third and forth quarter 2009 was 15% per annum.

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.

The authorized and issued and outstanding shares of the Company's redeemable preferred stock and aggregate liquidation preferences thereof as of September 30, 2010 consisted of the following (in thousands except share data):

| | Authorized | Issued and Outstanding | Liquidation Preference |
|---|---|---|---|
| Series A, convertible | 2,500,000 | 2,500,000 | $ 5,198 |
| Series B, non-convertible | 1,250,000 | 1,250,000 | 2,854 |
| Total | 3,750,000 | 3,750,000 | $ 8,052 |

In accordance with ASC 480-10 (SFAS No. 150), each of our Series A convertible and Series B non-convertible preferred stock is classified outside of equity on the accompanying consolidated balance sheets because this stock is conditional redeemable at the option of the holders after the third anniversary of the date of first issuance and is redeemable at the option of the Company after the fourth anniversary of the date of first issuance.

The company incurred $0.7 million in costs associated with the issuance of the Series A and Series B preferred stock. The initial carrying amount will be the net of cash received and issuance costs incurred. Per ASC 480-10-S99, each period, we amortize the issuance cost using the interest method to adjust the recorded balance of this preferred stock to an amount equal to its redemption value at its redemption date. The carrying amount is also further periodically increased by accrued dividends. Each type of increase in carrying amount is affected by charges against retained earnings or, in the absence of retained earnings, by charges against paid-in capital.

## 10. Commitments and Contingencies

*Purchase Commitments:*

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 September 30, 2010, approximately $0.2 million of products remained to be purchased under that agreement.

*IPO Litigation*

The Company is party to litigation arising out of the Company's initial public offering in 2000. This litigation is described above under the "IPO Litigation" subheading of the "Legal Proceedings" heading of Item 5 below.

## 11. Concentrations

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. At September 30, 2010 and 2009, the uninsured portion totaled approximately $3.1 million and $6.1 million, respectively.

As of September 30, 2010, we had two unrelated customers each account for more than 10% of total accounts receivable for the period.

During the nine months ended September 30, 2010, there was one customer who accounted for approximately 21% of the consolidated sales, and in the same period of 2009 the same customer accounted for approximately 19% and another unrelated customer accounted for approximately 12% of consolidated sales.

## 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.

### 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 Accounting Standards Codification ("ASC") 605-10, 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 ASC 605-15-25 “Revenue Recognition When Right of Return Exists,” in determining when to recognize revenue. Under ASC 605-15-25, 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 ASC 605-15-25 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 ASC 605-10 and ASC 605-15-25 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 ASC 605-10 and ASC 605-15-25 at point of shipment to the distributors.

In the case of our two 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 were 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 two 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 ASC 985-20-25 (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 September 30, 2010, we have one active stock-based employee compensation plan and four inactive (legacy) plans, which are described more fully in Note 16 of Annual Report for the year ended December 31, 2009 filed with the OTCQX.

We account for stock-based compensation in accordance with the fair value recognition provisions of ASC 718-20 (SFAS No. 123R). Under ASC 718-20 (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 Sept. 30, | | Change | | Percentage of Revenue | |
|---|---|---|---|---|---|---|
| **(in thousands)** | **2010** | **2009** | **Amount** | **Percentage** | **2010** | **2009** |
| Net revenues | $ 7,636 | $ 6,952 | $ 684 | 9.8% | 100.0% | 100.0% |
| Cost of sales | 4,307 | 4,846 | (539) | -11.1% | 56.4% | 69.7% |
| Gross profit | 3,329 | 2,106 | 1,223 | 58.1% | 43.6% | 30.3% |
| Operating expenses: | | | | | | |
| Research and development expense | 658 | 675 | (17) | -2.5% | 8.6% | 9.7% |
| Selling and marketing expense | 2,795 | 2,712 | 83 | 3.1% | 36.6% | 39.0% |
| General and administrative | 1,427 | 1,861 | (434) | -23.3% | 18.7% | 26.8% |
| Total operating expenses | 4,880 | 5,248 | (368) | -7.0% | 63.9% | 75.5% |
| Operating income (loss) | (1,551) | (3,142) | 1,591 | -50.6% | -20.3% | -45.2% |
| Other income (expense) | (206) | (332) | 126 | -38.0% | -2.7% | -4.8% |
| Loss before tax | (1,757) | (3,474) | 1,717 | -49.4% | -23.0% | -50.0% |
| Income tax benefit (provision) | (44) | (27) | (17) | 63.0% | -0.6% | -0.4% |
| Net loss | $ (1,801) | $ (3,501) | $ 1700 | -48.6% | -23.6% | -50.4% |
| Accretion to redemption value of redeemable preferred stock | 203 | 104 | 99 | - | 2.7% | - |
| Net loss attributable to common stockholders | $ (2,004) | $ (3,605) | $ (1,601) | -44.4% | -26.2% | -51.9% |

| | Nine months ended Sept 30, | | Change | | Percentage of Revenue | |
|---|---|---|---|---|---|---|
| **(in thousands)** | **2010** | **2009** | **Amount** | **Percentage** | **2010** | **2009** |
| Net revenues | $ 23,406 | $ 22,056 | $ 1,350 | 6.1% | 100.0% | 100.0% |
| Cost of sales | 12,456 | 11,964 | 492 | 4.1% | 53.2% | 54.2% |
| Gross profit | 10,950 | 10,092 | 858 | 8.5% | 46.8% | 45.8% |
| Operating expenses: | | | | | | |
| Research and development expense | 1,786 | 1,823 | (37) | -2.0% | 7.6% | 8.3% |
| Selling and marketing expense | 7,946 | 7,377 | 569 | 7.7% | 33.9% | 33.4% |
| General and administrative | 5,314 | 4,302 | 1,012 | 23.5% | 22.7% | 19.5% |
| Total operating expenses | 15,046 | 13,502 | 1,544 | 11.4% | 64.3% | 61.2% |
| Operating income (loss) | (4,096) | (3,410) | (686) | 20.1% | -17.5% | -15.5% |
| Other income (expense) | (529) | (838) | 309 | -36.9% | -2.3% | -3.8% |
| Loss before tax | (4,625) | (4,248) | (377) | 8.9% | -19.8% | -19.3% |
| Income tax benefit (provision)) | (15) | (99) | 84 | -84.8% | -0.1% | -0.4% |
| Net loss | $ (4,640) | $ (4,347) | $ (293) | 6.7% | -19.8% | -19.7% |
| Accretion to redemption value of redeemable preferred stock | 450 | 104 | 346 | - | 1.9% | - |
| Net loss attributable to common stockholders | $ (5,090) | $ (4,451) | $ (639) | 14.4% | -21.7% | -20.2% |

*Sales*

Sales for the third quarter of 2010 were $7.6 million as compared to $7.0 million for the same period in 2009, an increase of $0.7 million or 10%. Sales for the nine months ended September 30, 2010 were $23.4 million as compared to $22.1 million for the same period in 2009, an increase of $1.3 million or 6%. The new 8100 product line which was introduced in the third quarter of 2009 accounted for $2.0 million or 26% of revenue during the third quarter of 2010, and accounted for $5.1 million or 22% of total revenue for the nine months ended September 30, 2010.

For the three months ended September 30, 2010 and 2009, international sales were approximately $4.7 million and $4.6 million, respectively, comprising 62% and 66% of our total sales. For the nine months ended September 30, 2010 and 2009, international sales were approximately $14.6 million and $12.9 million, respectively, comprising 62% and 58% of total sales.

*Cost of goods sold and gross profit*

Cost of goods sold and gross profit for the three months ended September 30, 2010 were approximately $4.3 million and $3.3 million, respectively. For the same period in 2009, cost of goods sold and gross profit were $4.8 million and $2.1 million, respectively. Gross profit margin, as a percentage of sales, for the three months ended September 30, 2010 and 2009 was up to 44% from 30%. In the third quarter of 2009, company had charges relating to inventory which lowered gross profit by 10% in the quarter.

Cost of goods sold and gross profit for the nine months ended September 30, 2010 were approximately $12.4 million and $11.0 million, respectively. For the same period in 2009, cost of goods sold and gross profit were $12.0 million and $10.1 million, respectively. Gross profit margin, as a percentage of sales, for the nine months ended September 30, 2010 and 2009 was relatively flat at 47% and 46%, respectively.

*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 remained relatively flat year over year. Research and development expenses were at $0.7 million for the three months ended September 30, 2010 and 2009 and at $1.8 million for the nine months ended both September 30, 2010 and 2009.

*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 were relatively flat at $2.8 million and $2.7 million for the third quarter of 2010 and 2009, respectively.

Selling and marketing expenses increased to $8.0 million for the nine months ended September 30, 2010 from $7.4 million for the same period in 2009. The $0.6 million increase primarily resulted from headcount increases in 2010 and increased commission and marketing expenses of higher sales and selling initiatives.

*General and Administrative*

General and administrative expenses consist primarily of employee salaries, benefits and associated costs for information systems, finance, legal, and administration. General and administrative expenses decreased to $1.4 million for the three months ended September 30, 2010 from $1.9 million for the same period in 2009. This $0.5 million decrease was mainly due to lower compensation expense, lower lease payments due to a lease that was terminated in the second quarter of 2010, and decreased bad debt expenses.

General and administrative expenses increased to $5.3 million for the nine months ended September 30, 2010 from $4.3 million for the same period in 2009. This increase was primarily due to a release of restructured lease accrual of $1.0 million in the nine months of 2009.

*Other income (expenses)*

Other income and expenses totaled approximately $0.2 million of expense for the three months ended September 30, 2010, as compared to $0.3 million of expense for the same period in 2009. Other income and expense totaled $0.5 million and $0.8 million for the nine months ended September 30, 2010 and 2009, respectively.

The net decrease of expense in 2010 was primarily due to $0.1 million income from the sale of patents in the first quarter of 2010 and difference on foreign currency gain/loss during each nine month period.

**Liquidity and Capital Resources**

**General**

At September 30, 2010, we had cash and cash equivalents of $3.4 million. This excludes restricted cash of $0.1 million. For the nine months ended September 30, 2010, 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 was $0.7 million.

For the nine months ended September 30, 2010, cash provided from financing activities was $0.5 million. As of September 30, 2010, we had borrowed a total of $2.6 million from Bridge Bank pursuant to our line of credit with that bank.

We believe that cash from operations, along with our cash on hand and expected ability to borrow additional funds pursuant to our credit line and other resources, should be sufficient to meet our operating cash requirements over the next twelve month period as currently contemplated. Our belief is based largely upon our assumption that our financial operating results will improve. While our revenue has improved in the first nine months of 2010 compared with the corresponding period of 2009, our overall operating results have not yet improved enough for us to be either cash flow breakeven or GAAP breakeven. Therefore, we recognize that there is significant risk that we may not have sufficient cash on hand. We have extremely limited cash on hand and limited margin for error in implementing our desired business plan and are in a very difficult economic environment. We may well need to obtain additional capital and in any case may desire to obtain additional capital to bolster our balance sheet and for other reasons. 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. In 2010 and upcoming 2011, 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. Further, we may want to supplement our current resources for a variety of reasons even if not required and are considering and investigating raising additional funds.

**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 had 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. Notice was provided to the class, and a settlement fairness hearing, at which members of the class had an opportunity to object to the proposed settlement, was held on September 10, 2009. On October 6, 2009, the District Court issued an order granting final approval to the settlement. Ten appeals were filed objecting to the definition of the settlement class and the fairness of the settlement, five of which have been dismissed with prejudice. Two appeal briefs have been filed by the remaining objector groups, and briefs in opposition to those appeals are currently due December 17, 2010. Because the litigation process is inherently uncertain and unpredictable, 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, intellectual property, 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.**

See the Note 7 to our Consolidated Financial Statements contained above in this report describing our current non-compliance with one of the financial covenants in our loan agreement with Bridge Bank.

**Item 7. Other Information.**

None.

**Item 8. Exhibits.**

The following exhibits are included with this quarterly disclosure statement:

| Exhibit Number | Description of Document |
|---|---|
| 1 | Letter Agreement, dated July 6, 2010, between Proxim Wireless Corporation and Chun (Cathy) Zhao |
| 2 | Letter Agreement, dated July 1, 2010, a substantially similar version of which was entered into between Proxim Wireless Corporation and, inter alia, Pankaj Manglik, David Renauld, and Thomas Twerdahl |
| 3 | Letter Agreement, dated September 13, 2010, between Proxim Wireless Corporation and Michael J. Sophie |

**Item 9. Certifications.**

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Michael J. Sophie, 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: November 11, 2010

/s/ Michael J. Sophie
Michael J. Sophie
Interim Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Chun (Cathy) Zhao, 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: November 11, 2010

/s/ Chun (Cathy) Zhao
Chun (Cathy) Zhao
Chief Financial Officer