

ARC WIRELESS SOLUTIONS INC
Form 10-K/A
April 30, 2010

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

FORM 10 – K/A
Amendment No. 1

(MARK ONE)

ANNUAL REPORT PURSUANT SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2009

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

ARC Wireless Solutions, Inc.

(Exact name of registrant as specified in its charter)

Utah

(State or other jurisdiction of incorporation or organization)

000-18122

(Commission File Number)

87-0454148

(IRS Employer Identification Number)

10601 West 48th Avenue
Wheat Ridge, Colorado, 80033-2660

(Address of principal executive offices including zip code)

(303) 421-4063

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Exchange Act:

(None)

Securities registered pursuant to Section 12(g) of the Exchange Act:

\$.0005 par value common stock

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 13(d) of the Act.

Yes No

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained in this form, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. To the best of registrants' knowledge, there are no disclosures of delinquent filers required in response to Item 405 of Regulation S-K.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "small reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

As of June 30, 2009, the last business day of the Registrant's most recently completed second quarter, the aggregate market value of the voting stock held by non-affiliates of the registrant was approximately \$7 million. This calculation is based upon the average of the bid and ask price of \$2.25 of the stock on June 30, 2009 as reported by NASDAQ. Without asserting that any director or executive officer of the registrant, or the beneficial owner of more than five percent of the registrant's common stock, is an affiliate, the shares of which they are the beneficial owners have been deemed to be owned by affiliates solely for this calculation.

The number of shares of the registrant's \$.0005 par value common stock outstanding as of January 31, 2010 was 3,091,350 .

DOCUMENTS INCORPORATED BY REFERENCE

None.

Explanatory Note:

ARC Wireless Solutions, Inc. (the "Company") is filing this Amendment No. 1 on form 10-K/A (the "Amended Report") to our Annual Report on Form 10-K for the Period ended December 31, 2009, which was originally filed on March 19, 2010 (the "10-K Report") for the purpose of including Part III, Items 10 through 14. Our definitive proxy statement for our 2010 Annual Meeting of Stockholders will not be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2009; therefore, we are filing this Amended Report to provide the incorporated information within the required time period.

Pursuant to Rule 12b-15 under the Securities Exchange Act of 1934, as amended, each item of the 10-K Report that is amended by this Amended Report is also restated in its entirety, and this Amended Report is accompanied by an updated consent on Exhibit 23.0 from our independent registered public accounting firm and currently dated certifications on Exhibit 31.1, 31.2, 32.1 and 32.2. The 10-K Report was amended to: (i) delete the reference on the cover of the 10-K Report to the incorporation by reference of the registrant's definitive proxy statement into Part III of the 10-K Report; (ii) revise Part III, Items 10 through 14 of the 10-K Report to include information previously omitted from the 10-K Report; and (iii) revise the Exhibit Index to reflect the filing of the updated consent and the new certifications.

Except as described above, no other changes have been made to the 10-K Report. The 10-K Report continues to speak as of March 19, 2010, the date of the filing of the 10-K Report, and other than expressly indicated in this Amended Report, we have not updated the disclosures contained therein to reflect any events which occurred at a date subsequent to March 19, 2010. Accordingly, this Amended Report should be read in conjunction with the 10-K Report and our other reports filed with the SEC subsequent to the filing of the 10-K Report, including any amendments to those filings.

ARC Wireless Solutions, Inc.
Form 10-K for the Year Ended December 31, 2009

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

The following sets forth the Company's Board of Directors as of April 20, 2010:

| Name | Age | Position with the Company | Expiration of Term as Director | Initial Date as Director |
|----------------|-----|---|--------------------------------|---------------------------------------|
| Jason T. Young | 31 | Chief Executive Officer and Chairman of the Board | Next Annual Meeting | Appointed to the Board October 2008 |
| Viktor Nemeth | 34 | Director Chairman of the Audit Committee Chairman of the Compensation Committee | Next Annual Meeting | Appointed to the Board: November 2008 |
| Marco Vega | 40 | Director | Next Annual Meeting | Appointed to the Board: November 2008 |
| Javier Baz | 56 | Director Audit Committee Member Compensation Committee Member | Next Annual Meeting | Appointed to the Board: January 2009 |
| Lynn Wunderman | 55 | Director Audit Committee Member Compensation Committee Member | Next Annual Meeting | Appointed to the Board: April 2010 |

Jason Young. Mr. Young became a Director in October 2008, and he became Chairman of the Board and Chief Executive Officer of the Company in November 2008. Since 2005, Mr. Young has been a Managing Director at Quadrant Management, Inc., where he is responsible for making investments in US and emerging market companies, where he frequently serves in active Management or Director level roles. He has been an Investment Committee Member of the Carret Global India Fund of Hedge Funds since 2005. In 2008 Mr. Young became a member of the Investment Committee of the Vanterra Advantage Fund. From 2000 to 2005, Mr. Young worked for Merrill Lynch in the Investment Banking Group and later in the Global Principal Investment Group. In 1999, he was an Analyst at Helicon Capital Management, a hedge fund and private equity investment firm. He holds a BA in International Economics from UCLA. Because of his employment with Quadrant Management, Inc., which is under common control with the Brean Murray Carret Group, Inc., Mr. Young is deemed to be under control of the Brean Murray Carret Group, Inc.

Viktor Nemeth. Mr. Nemeth became a Director in November 2008, and he currently serves on the Company's Audit Committee and the Company's Compensation Committee. Between January 2008 and October 2008, Mr. Nemeth served as the Chief Revenue Officer of Bid4Spots.com, Inc., an entity that hosts weekly online auctions of radio airtime to allow advertisers and broadcasters to transact unsold airtime. From March 2000 through December 2007, Mr. Nemeth worked for Yahoo Inc. and predecessor companies Overture Services and GoTo.com in a variety of corporate development, business development, and sales & marketing roles. Mr. Nemeth holds a BA in Business-Economics with a Minor in Accounting from UCLA.

Marco Vega. Mr. Vega became a Director in November 2008. Since March 2003, Mr. Vega has been the Chief Operating Officer of Carret Asset Management, LLC, where he is responsible for the accounting, operations and compliance functions of the U.S. Securities and Exchange Commission registered investment advisor. Mr. Vega also assumed the role of Chief Operating Officer for Quadrant Management, Inc. in April 2010. Mr. Vega formerly served as the President of Carret Securities LLC, and he now serves on the Board of Advisors to Brean Murray Carret & Co., LLC, a boutique investment bank. Mr. Vega frequently serves in active management-or director-level roles. Because

of his employment by Carret Asset Management, LLC, which is under common control with the Brean Murray Carret Group, Inc., Mr. Vega is deemed to be under control of the Brean Murray Carret Group, Inc. Mr. Vega holds a BS in accounting and an MBA from St. John's University.

Javier Baz. Mr. Baz became a Director in January of 2009. Mr. Baz is currently a private investor. From 2005 to 2006, he was a Director and later Chairman of Lifeline Therapeutics. From January of 1994 through March 2004, Mr. Baz was responsible for several business areas at Trust Company of the West, a Los Angeles, California based investment management firm. Among his responsibilities he was chief investment officer and group head of the firm's Private Client Services Group, a unit with \$7 billion in clients' assets under management. He also was the chief investment officer for Trust Company of the West's publicly traded fixed income and equity strategies investing outside of the United States in Europe, Japan, Asia Pacific and Latin America. From 1995 through 2001 Mr. Baz chaired the Trust Company of the West's committee responsible for overseeing regional allocation of emerging markets and international equity strategies. Before joining Trust Company of the West in 1994, Mr. Baz established Condor Asset Management in Greenwich, Connecticut as a broker-dealer and asset management firm, and worked with Merrill Lynch, First Boston International, McKinsey & Co., and the Mexico City branch of Citibank N.A. Mr. Baz has a bachelor of science degree in economics from the Wharton School of the University of Pennsylvania (which he received in 1976) and a masters of business administration from the Kellogg School at Northwestern University (which he received in 1981).

Lynn Wunderman. Ms. Wunderman became a Director in April of 2010. Ms. Wunderman is a seasoned marketing professional with over 30 years experience in direct marketing, database marketing, communications, consulting and general management. Over the years, she has launched three successful companies, two continuing non-profit organizations, and counseled some of the largest advertisers in the industry. From 1999 until 2005, she was the President and CEO of I-Behavior. Since 2006 she has served as the Principal of the Wunderman Group. Since 2009, she has also served as the Chairman of Webdweller, a technology start-up. Ms. Wunderman has served on a number of advisory boards, including Convergent Mobile, Grandparents.com, Permuto, Zadspace and the Hudson Valley Center for Innovation.

Other Executive Officers

| Name | Age | Position with the Company | Initial Date as Officer |
|-----------------|-----|--|-------------------------|
| Steven C. Olson | 53 | Chief Technology Officer and Acting Chief Financial Officer | 2001 |

Steven C. Olson. Mr. Olson serves as our Chief Technology Officer and Acting Chief Financial Officer. Prior to joining the Company in August 2001, Mr. Olson was employed at Ball Aerospace for 14 years, including the last five years as Director of Engineering for Ball's Wireless Communications Solutions Division. In this capacity Mr. Olson led the development of new technologies, resulting in industry leading antenna solutions for the wireless communications market. Before the Ball Wireless Communications unit was formed, Mr. Olson developed Ball's high performance, low cost AirBASE(R) antenna technology, specifically for use in its future commercial wireless business. Prior to Ball Aerospace, Mr. Olson was employed at Hughes Aircraft Group. He received his Bachelors and Masters of Science degrees in Electrical Engineering from the University of Utah in 1984 and 1985, respectively.

Each of our officers serves at the pleasure of the Board of Directors. There are no family relationships among our officers and directors.

Board Meetings

The Board of Directors met four times during the fiscal year ended December 31, 2009, and each director participated in 100% of the meetings. The Board of Directors does not maintain a formal policy regarding the manner in which shareholders may communicate with the Board. The Board intends to adopt such a formal policy in the near future.

The Company encourages each member of the Board of Directors to attend the Annual Meeting of Shareholders, but does not require any member to do so. Two of the directors attended the Company's last Annual Meeting of Shareholders, held on December 16th, 2009.

Board Independence

We are currently subject to corporate governance standards defining the independence of our directors imposed by the NASDAQ Capital Market's requirements for independent directors (Rule 5605(a)(2) of the Marketplace Rules of The NASDAQ Stock Market LLC). On November 12, 2008, the Company's Board elected Viktor Nemeth and Marco Vega to serve on the Board of Directors and on January 21, 2009 Mr. Javier Baz and Amit Chatwani were elected to serve on the Board of Directors. Mr. Nemeth, Mr. Baz and Lynn Wunderman qualify as independent directors in accordance with the standards imposed by the NASDAQ Capital Market's requirements for independent directors (Rule 5605(a)(2) of the Marketplace Rules of The NASDAQ Stock Market LLC); under this definition, Mr. Chatwani qualified as an independent director prior to his resignation in March of 2010.

Audit Committee of the Board of Directors

On January 21, 2009 Mr. Javier Baz and Mr. Amit Chatwani were elected to the Board of Directors and were appointed to serve on the Audit Committee. Mr. Chatwani served as an independent director in this capacity until his resignation in March of 2010. Mr. Baz continues to serve as an independent director in this position. Lynn Wunderman joined the Audit Committee in April of 2010. The responsibilities of the audit committee include overseeing our financial reporting process, reporting the results of the Committee's activities to the board, retaining and ensuring the independence of our auditors, approving services to be provided by our auditors, reviewing our periodic filings with the independent auditors prior to filing, and reviewing and responding to any matters raised by the independent auditors in their management letter. The Audit Committee met five times during fiscal 2009, which was attended by all committee members.

Audit Committee Financial Expert

Mr. Javier Baz has been designated to be the Company's audit committee financial expert.

Audit Committee Charter

Our Board of Directors has adopted a written charter for the Audit Committee. The Audit Committee will review and assess the adequacy of the Audit Committee charter annually.

Compensation Committee

The Board of Directors currently has a Compensation Committee. On January 21, 2009 Mr. Viktor Nemeth was designated to serve as the Chairman of the Compensation Committee. On January 21, 2009 Mr. Javier Baz and Mr. Amit Chatwani were elected to the Board of Directors and were appointed to serve on the Compensation Committee. Mr. Chatwani resigned from this position in March 2010. Mr. Lynn Wunderman was appointed to the Compensation Committee in April 2010. The Compensation Committee has a charter which is located on the Company's website at www.arcwireless.net. The Compensation Committee held three formal meetings during fiscal 2009, which was attended by all committee members.

Nominating Committee: Nominating Policies and Procedures

The Company does not currently have a standing nominating committee of the Board of Directors because it believes that the nominating functions should be conducted by the full Board of Directors.

On June 30, 2008 the Board of Directors amended and restated its Policies and Procedures for Nominations of Director Candidates (the "Nomination Policies"), which are attached hereto as Appendix A, that have been in effect since January 1, 2009. Director nominations are made to the Board of Directors by independent directors, constituting a majority of the Board of Directors' independent directors, in a vote in which only independent directors vote. It is the policy of the Board of Directors that each candidate recommended for nomination and election to the Board (each, a "Nominee"), regardless of whether such Nominee is recommended by a shareholder of the Company, the Board or any other person, shall be approved by a majority of the independent directors of the Board.

In general, the Board believes that certain minimum qualifications must be met by each Nominee for the Board, as well as meeting the applicable independence standards required by the Securities Exchange Commission (the "SEC") and federal securities laws. The Board believes that Nominees must reflect a Board that is comprised of directors (i) a majority of whom are independent (as determined under the aforementioned SEC director qualification standards); (ii) who are of high integrity; (iii) who have qualifications that will increase the overall effectiveness of the Board; and (iv) who meet other requirements as may be required by applicable rules, such as financial literacy or financial expertise with respect to Audit Committee members. In evaluating the qualifications of the Nominees, the Board considers many factors, including issues of leadership ability, career success, character, judgment, independence, background, age, expertise, diversity and breadth of experience, length of service, other commitments and the like. The Board evaluates such factors, among others, and does not assign any particular weight or priority to any of these factors. Also, the Board considers the suitability of each Nominee, including the current members of the Board, in light of the current size and composition of the Board.

Unless and until otherwise subsequently determined by the Board, the number of directors of the Company at any time shall be the number of directors that the Board nominated for election at the most recently-held annual meeting of shareholders, increased by the number of directors, if any, that the Board appointed subsequent to the most recently-held annual meeting of shareholders and also increased by the number of directors, if any, whose term as a director did not expire at the most recently-held annual meeting of shareholders.

The Board shall consider recommendations for Nominees to the Board from shareholders (an "Eligible Shareholder") holding a minimum of \$2,000 in market value, or 1%, of the Company's voting common stock, which stock is held through the date of the meeting electing directors, and which Eligible Shareholder complies with the nomination notice procedures set forth in the Nomination Policies. Nominees recommended by Eligible Shareholders (hereinafter referred to as "Shareholder Candidates") will be evaluated by the Board on the same basis as Nominees that may be identified by the Board, management or, if the Board permits, a search firm.

For a Shareholder Candidate to be considered by the Board, the Eligible Shareholder and the Shareholder Candidate must comply with the procedures set forth in the Nomination Policies. Recommendations for Shareholder Candidate(s) to the Board of Directors from an Eligible Shareholder must be directed in writing to ARC Wireless Solutions, Inc., Attn: Executive Vice-President, at the Company's principal offices at 10601 West 48th Avenue, I-70 Frontage Road North, Wheat Ridge, Colorado 80033-2660. The specific recommendations should include the information set forth in the Nomination Policies, which are attached hereto as Appendix A and incorporated herein by reference.

For a recommendation of a Shareholder Candidate to be properly brought before the Board by an Eligible Shareholder, the Eligible Shareholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, an Eligible Shareholder's notice must be delivered to the Corporate Secretary not less than one hundred and twenty (120) days prior to the first (1st) anniversary of the preceding year's annual meeting. In the event that the date of the annual meeting is advanced by more than thirty (30) days or delayed by more than sixty (60) days from the anniversary date of the preceding year's annual meeting, the notice by the Eligible Shareholder must be delivered not later than the close of business on the later of the sixtieth (60th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of such annual meeting is first made.

The Secretary of the Corporation will provide a copy of the Nominating Policies and Procedures upon a request in writing from the Eligible Shareholder.

Code of Ethics

The Company endeavors to adhere to provide assurances to outside investors and interested parties that the Company's officers, directors, and employees adhere to a reasonably responsible code of ethics and as such, we have adopted a Code of Ethics, which was amended on November 7, 2006, that applies to all officers, directors and employees of the Company. The Code is posted on the Company's website at www.arcwireless.net/investor_relations.

Corporate Governance Documents

On the Company's Corporate Governance Web site at www.arcwireless.net/investor_relations, shareholders can access the Company's Audit Committee Charter, Compensation Committee Charter, and Code of Ethics for members of the Board of Directors and officers. Copies of these documents are available to shareholders without charge upon request to the Corporate Secretary at the Company's principal address.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Act of 1934, as amended (the "Exchange Act") requires our directors, executive officers and holders of more than 10% of our common stock to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of common stock and other equity securities of ours. Based solely on our review of the copies of such forms we received, we believe that during the year ended December 31, 2009, all such filing requirements applicable to our officers and directors were complied with, except that reports were filed late by the following persons:

| Name | Number of Late Reports | Transactions Not Timely Reported | Known Failures to File a Required Form (a) |
|--|---------------------------|-------------------------------------|--|
| Jason Young Chief Executive Officer Chairman of the Board of Directors | 2 | 2 | - |
| Viktor Nemeth Director | 1 | 1 | - |
| Marco Vega Director | 1 | 1 | - |
| Javier Baz Director | 1 | 1 | - |
| Amit Chatwani Director | 1 | 1 | - |
| Paul Rini 10% Shareholder | 1 | 1 | - |
| Evansville Limited 10% shareholder | 1 | 1 | - |
| Brean Murray Carret Group, Inc. 10% shareholder | 1 | 1 | - |

(a) The Company has only recently become aware of the delinquent filing of Form 3s and Form 4s by current and former officers, directors, and 10% owners. The Company intends to take action to rectify this situation for the current officers, directors and 10% shareholders within the next ten (10) days.

Item 11. Executive Compensation

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This Compensation Discussion and Analysis addresses the aspects of our compensation programs and explains our compensation philosophy, policies, and practices, with respect to our named executive officers, including our chief executive officer, chief financial officer, executive vice-president, and chief technology officer, which we collectively refer to as our named executive officers, or NEOs.

Oversight of Executive Compensation Program

The Compensation Committee of our Board of Directors oversees our executive compensation programs. Each member of the Compensation Committee is an “independent director” as defined by the federal securities laws and in Rule 5605(a)(2) of the Marketplace Rules of The NASDAQ Stock Market LLC. The Compensation Committee met three times during 2009, and works closely with executive management, primarily our chief executive officer (“CEO”), in assessing compensation levels. The Compensation Committee is empowered to advise management and make recommendations to the Board of Directors with respect to the compensation and other employment benefits of executive officers and key employees of the Company. The Compensation Committee also administers the Company's compensation plans for executive officers and employees.

The Compensation Committee regularly reviews the Company's compensation programs to ensure that remuneration levels and incentive opportunities are competitive and reflect performance. Factors taken into account in assessing the compensation of individual officers include the officer's performance and contribution to the Company, experience, strategic impact, external equity or market value, internal equity or fairness, and retention priority. The various components of the compensation programs for executive officers are discussed below in Elements of Executive Compensation Program.

Objectives of Executive Compensation and What the Programs are Designed to Reward

The Company's executive compensation program is designed to integrate compensation with the achievement of our short-term and long-term business objectives and to assist us in attracting, motivating and retaining the highest quality executive officers and rewarding them for superior performance. Different programs are geared to short-term and longer-term performance with the goal of increasing stockholder value over the long term.

We believe that the compensation of our executive officers should reflect their success in attaining key operating objectives, such as growth or maintenance of market position, development of new products and marketplaces, meeting established goals for operating earnings and earnings per share, maintenance and development of customer relationships and long-term competitive advantage. We also believe that executive compensation should reflect achievement of individual goals established for specific executive officers, as well as specific achievements by such individuals over the course of the year such as development of specific products or customer relationships or agreements or executing or integrating acquisitions and strategic arrangements. We believe that the performance of the executives in managing our Company, considered in light of general economic and specific Company, industry and competitive conditions, should be the basis for determining their overall compensation. We also believe that their compensation should not generally be based on the short-term performance of our stock, whether favorable or unfavorable, but rather that the price of our stock will, in the long-term, reflect our operating performance, and ultimately, the management of the Company by our executives.

Compensation Consultants

In determining competitive levels of compensation, the Compensation Committee considers publicly available information regarding the compensation of executive officers of other comparable U.S. investor-owned companies. The Compensation Committee also considers recommendations made by the CEO regarding compensation for other NEOs and key employees.

Elements of Executive Compensation Program

Compensation elements include:

- base salary;
- annual cash or equity incentive awards;
- long-term equity incentive compensation; and
- other health, welfare and pension benefits.

Base Salary

Base salary is designed to provide competitive levels of base compensation to our executives based on their experience, duties and scope of responsibilities. We pay base salaries because it provides a base compensation that is required to recruit and retain executives of the quality that we must employ to ensure the success of our Company. Our executive base salaries are typically adjusted in accordance with the NEO's employment agreement on an annual basis.

Annual Cash or Equity Incentive Awards

Annual incentive compensation is designed to provide competitive levels of compensation based on experience, duties and scope of responsibilities. Incentive awards are influenced by the Company's profitability and achievement of planned profitability, as well as other factors. The Compensation Committee uses the annual incentive compensation to motivate and reward the NEOs for the achievement and over-performance of our critical financial and strategic goals.

Long-Term Equity Incentive Compensation

Long-term equity awards were granted to our executives from our 1997 Stock Option and Compensation Plan, ("1997 Plan") until September 2007, when the shareholders of the Company approved the new 2007 Stock Incentive Plan (the "2007 Plan"). The Compensation Committee granted awards under the 1997 Plan and the 2007 Plan in order to align the interests of the NEOs with our stockholders, and to motivate and reward the NEOs to increase the stockholder value of the Company over the long term. The Compensation Committee does not have a regular schedule for awarding equity-based compensation and the timing of such awards is subject to the discretion of the Compensation Committee but generally is awarded as part of entering into employment agreements. We do not backdate options or grant options retroactively or stock options with a so-called "reload" feature. In addition, we do not plan to coordinate grants of options so that they are made before the announcement of favorable information, or after the announcement of unfavorable information.

Compensation paid to each executive officer, including a stock bonus, was based on the Compensation Committee's review and consideration of aggregate levels of compensation paid to executives of comparable companies and the individual qualitative contributions and performance of each executive officer. In 2007, the Compensation Committee issued a stock option award of 40,000 shares to Steve C. Olson, our Chief Technology Officer under the 2007 Plan. No stock options were issued in 2009.

Other Health, Welfare and Retirement Benefits

Health and Welfare Benefits

All full-time employees, including our NEOs, may participate in our health and welfare benefit programs, including medical, dental and vision care coverage, disability insurance, and life insurance. We provide these benefits to meet the health and welfare needs of employees and their families.

Retirement Benefits

Our employees, including the NEO's, are eligible to participate in our 401(k) contributory defined contribution plan ("401(k) Plan"). Each employee may make before-tax contributions of up to 25% of their base salary up to current Internal Revenue Service limits. We provide this plan to help our employees save some amount of their cash compensation for retirement in a tax efficient manner. The Company may make discretionary matching contributions,

however in 2006 the Company did not provide participants with a matching contribution. Commencing January 1, 2007, the Company amended its 401(k) Plan to make a Safe Harbor Contribution of 3% of a participant's cash compensation.

Pension Benefits and Nonqualified Deferred Compensation

We do not currently provide pension arrangements or post-retirement health coverage for our executives or employees, although we may consider such benefits in the future. In addition, we do not provide any nonqualified defined contribution or other deferred compensation plans, although we may consider such benefits in the future.

Employment Agreements and Other Post-Employment Payments

All of our NEOs were parties to employment agreements until their resignations in November 2008, which provided for salaries and certain bonus payments as well as rights to certain payments upon termination for cause. These employment agreements also had change of control provisions that would require payments in the event of termination of employment, which are described in greater detail below. Only one NEO, Mr. Steve Olson, is still party to an agreement which provides for salaries and certain bonus payments as well as rights to certain payments upon termination for cause. Mr. Jason T. Young, is not party to an employment agreement and has no current compensation arrangement with the Company.

These employment agreements also have change of control provisions that would require payments in the event of termination of employment, which are described in greater detail below.

Tax Implications of Executive Compensation

We do not currently intend to award compensation that would result in a limitation on the deductibility of a portion of such compensation pursuant to Section 162(m) of the Internal Revenue Code of 1986, as amended, other than awards that may be exercised under the 1997 Plan or be made under the 2007 Plan; however, we may in the future decide to authorize other compensation in excess of the limits of Section 162(m) if it determines that such compensation is in the best interests of the Company.

Although deductibility of compensation is preferred, tax deductibility is not a primary objective of our compensation programs. We believe that achieving our compensation objectives set forth above is more important than the benefit of tax deductibility and we reserve the right to maintain flexibility in how we compensate our executive officers that may result in limiting the deductibility of amounts of compensation from time to time.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management and, based on the review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's Annual Report on Form 10-K.

Viktor Nemeth
Javier Baz
Lynn Wunderman

Summary Compensation Table for 2009

| Name and Principal Position | Year | Salary (\$) | Bonus (\$) | Stock Awards (\$)(2) | Option Awards (\$)(2) | Non-Equity Incentive Plan Compensation (\$) | Nonqualified | | All Other Compensation (\$)(3) | Total (\$) |
|--|------|-------------|------------|----------------------|-----------------------|---|----------------------------|---------------|--------------------------------|------------|
| | | | | | | | Deferred Compensation (\$) | Earnings (\$) | | |
| (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) | (j) | |
| Jason T. Young, Chair, Chief Executive Officer, Secretary (1) | 2009 | 25,250 | - | - | - | - | - | - | - | 25,250 |
| | 2008 | 6,000 | - | - | - | - | - | - | - | 6,000 |
| Randall P. Marx, former Chair, Chief Executive Officer, Secretary | 2009 | - | - | - | - | - | - | - | - | - |
| | 2008 | 287,000 | - | - | - | - | - | 328,000 | - | 615,000 |
| Monty R. Lamirato, former Chief Financial Officer, Treasurer | 2009 | - | - | - | - | - | - | - | - | - |
| | 2008 | 154,000 | - | - | - | - | - | 123,846 | - | 277,846 |
| Steven C. Olson, Chief Technology Officer and Acting Chief Financial Officer | 2009 | 225,000 | - | - | - | - | - | - | - | 225,000(4) |
| | 2008 | 215,000 | - | - | - | - | - | - | - | 215,000 |
| Richard A. Anderson, former Executive Vice President | 2009 | - | - | - | - | - | - | - | - | - |
| | 2008 | 110,000 | - | - | - | - | - | 120,000 | - | 230,000 |

- (1) Mr. Young was appointed as a director in October 2008 and was appointed as the Company's Chairman of the Board, Chief Executive Officer in November 2008. Mr. Young received no compensation as an employee during 2008; he was owed \$6,000 for his services as a director during 2008, which was paid in 2009. Mr. Young received \$25,250 in fees for his services as a director during 2009. The Company may compensate Mr. Young in the future.
- (2) The amounts in columns (e) and (f) reflect the dollar amounts recognized in each of 2007 and 2006 for financial statement reporting purposes in accordance with FAS 123R with respect to stock awards and stock options granted in each such year, and the dollar amount required to be recognized in each such year in accordance with FAS 123R. These options were granted pursuant to the 2007 Stock Incentive Plan described above.
- (3) The amounts in the column titled "All Other Compensation" for 2008 include accrued severance obligations for Randall P. Marx, Monty R. Lamirato, and Richard A. Anderson, who resigned in November 2008. Such payments

were made by the Company from November 2008 through May 2009.

(4) Mr. Olson's salary for the year 2009 was \$225,000, of which he deferred \$10,000 to be received in 2010.

Grants of Plan-Based Awards

| Name and Principal Position | Grant Date | Estimated Future Payouts Under Equity Incentive Plan Awards | | | All Other Stock Awards: Number of Shares of Stock or Units 4 (#) | All Other Option Awards: Number of Securities Underlying Options (#) | Exercise or Base Price of Option Awards (\$/Sh) | Grant Date Fair Value of Awards (\$) |
|--|------------|---|--------|---------|--|--|---|--------------------------------------|
| | | Threshold | Target | Maximum | | | | |
| | | \$ | \$ | \$ | | | | |
| Jason T. Young, Chair, Chief Executive Officer, Secretary | | - | - | - | - | - | - | - |
| Randall P. Marx, Former Chair, Chief Executive Officer, Secretary | | - | - | - | - | - | - | - |
| Monty R. Lamirato, Former Chief Financial Officer, Treasurer | | - | - | - | - | - | - | - |
| Steven C. Olson, Chief Technology Officer and Acting Chief Financial Officer | 9/21/07 | - | - | - | - | 40,000(1) | \$ 5.40 | \$ 134,000 |

(1) These options were granted pursuant to the 2007 Stock Incentive Plan.

There were no stock Equity Incentive Plan awards granted to the executive officers with respect to the years ended December 31, 2009 and 2008 other than those noted above. In addition, no options were exercised by the executive officers during the years ended December 31, 2009 and 2008.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth information on outstanding option and stock awards held by the named executive officers as of December 31, 2009, including the number of shares underlying both exercisable and unexercisable portions of each stock option as well as the exercise price and the expiration date of each outstanding option.

| Name | Number of Securities Underlying Unexercised Options | Number of Securities Underlying Unexercised Options | Option Awards | | | Stock Awards | | | |
|------|---|---|---|----------------------------|------------------------|--------------------------------|---|--|--|
| | | | Equity Incentive Plan Awards: Number of | Option Exercise Price (\$) | Option Expiration Date | Number of Shares or Units That | Market Value of Shares or Units That Have | Equity Incentive Plan Awards: Number of Shares, Units of | Equity Incentive Plan Awards: Market or Payout Value of Unearned |

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| | (#) Exercisable | (#) Unexercisable (1) | Securities Underlying Unexercised Unearned Options (#) | (e) | (f) | Have Not Vested (2)(3) | Not Vested (\$) | or Other Rights That Have Not Vested (#) | Shares, Units or Other Rights That Have Not Vested (\$) |
|--------------------|--------------------|-----------------------------|---|------------------|-----|---------------------------------|-----------------------|--|--|
| (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) | (j) |
| Jason T. Young | - | - | - | - | - | - | - | - | - |
| Steven C. Olson | 24,000(a) | 16,000(a) | - | \$ 5.409/21/2017 | - | - | - | - | - |

(a) These options were granted pursuant to the 2007 Equity Incentive Plan. The options vests at a rate of 20% per year with vesting dates of 12/31/07, 12/31/08, 12/31/09, 12/31/10, 12/31/11. These total 40,000 options are reported in the Summary Compensation and the Grant of Plan Based Awards Table.

Director Compensation for the Year Ended December 31, 2009

The table below summarizes the compensation paid by the Company to directors for the year ended December 31, 2009:

| Director Compensation for the Year Ended December 31, 2009 | | | | | | | | |
|--|---|----------------------------|-----------------------------|--|---|-----|-----------------------------------|---------------|
| (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | |
| Name(1) | Fees Earned or Paid in Cash (\$) | Stock Awards (\$)(1) | Option Awards (\$)(2) | Non-Equity Incentive Plan Compensation (\$) | Change in Pension Value and Nonqualified Deferred Compensation Earnings | | All Other Compensation (\$) | Total (\$)(5) |
| | | | | | | | | |
| Jason T. Young | \$ 25,000 | - | - | - | - | - | - | \$ 25,000 |
| Viktor Nemeth | \$ 40,000 | - | - | - | - | - | - | \$ 40,000 |
| Marco Vega | \$ 25,000 | - | - | - | - | - | - | \$ 25,000 |
| Javier Baz | \$ 37,765 | - | - | - | - | - | - | \$ 37,765 |
| Amit Chatwani (3) | \$ 37,765 | - | - | - | - | - | - | \$ 37,765 |
| Lynn Wunderman (4) | - | - | - | - | - | - | - | - |

(1) Reflects the dollar amount recognized and expensed for financial statement reporting purposes for the year ended December 31, 2008 in accordance with FAS 123R, and thus may include amounts from awards granted in and prior to 2009.

(2) Reflects the dollar amount recognized for financial statement reporting purposes for the year ended December 31, 2009 in accordance with FAS 123R, and thus includes amounts from options granted in and prior to 2009.

(3) Mr. Chatwani resigned from the Board of Directors in March 2010.

(4) Ms. Wunderman was appointed to the Board of Directors in April 2010.

(5) In addition to the director fees mentioned above, some of the directors received payments in 2009 for fees which were owed to them for their services as a director during 2008. Particularly, Mr. Young received \$6,000, Mr. Nemeth received \$5,000, and Mr. Vega received \$3,125 in fees for their services as directors rendered during 2008.

Compensation Committee Interlocks and Insider Participation

No member of the Compensation Committee was an officer or former officer of the Company or had any material relationship or transactions with the Company and no officer of the Company sits on the compensation committee or other body that has the power to establish the compensation of any member of the Compensation Committee.

2007 Stock Incentive Plan

The following paragraphs provide a summary of the principal features of the 2007 Plan and its operation.

Shares Available for Issuance

The 2007 Plan provides that no more than 300,000 shares of our common stock may be issued for awards. If there is any change in the Company's common stock by reason of any stock exchange, merger, consolidation, reorganization, recapitalization, stock dividend, reclassification, split-up, combination of shares or otherwise, then the Board, or any Option Committee, shall make proportionate adjustments to the maximum number and kind of securities (i) available

for issuance under the 2007 Plan; (ii) available for issuance as incentive stock options or non-qualified stock options; (iii) that may be subject to awards received by any participant; (iv) that may be subject to different types of awards; (v) that are subject to any outstanding award; and (vi) the price of each security.

The 2007 Plan provides that shares covered by an award will not count against the shares available for issuance under the 2007 Plan until they are actually issued and delivered to a participant. If an award granted under the 2007 Plan lapses, expires, terminates or is forfeited, surrendered or canceled without having been fully exercised or without the issuance of all the shares subject to the award, the shares covered by such award will again be available for use under the 2007 Plan.

Eligibility

Awards may be made to any employee, officer, director of the Company and its related companies or other persons who provide services to the Company and its related companies.

Administration

The 2007 Plan is administered by the Option Committee, which shall consist of the Board or a committee of the Board as the Board may from time to time designate.

Types of Awards

Stock Options. The Option Committee may grant, either incentive stock options, which comply with Section 422 of the Internal Revenue Code, or nonqualified stock options. The Option Committee sets option exercise prices and terms, except that the exercise price of an incentive stock option may be no less than 100% of the fair market value of the shares on the date of grant. At the time of grant, the Option Committee in its sole discretion will determine when stock options are exercisable and when they expire, except that the term of a stock option cannot exceed ten years.

Restricted Stock Awards. The Option Committee may grant awards of restricted stock under the 2007 Plan. These shares may be subject to restrictions on transferability, risk of forfeiture and other restrictions as determined by the Option Committee. As a condition to a grant of an award of restricted stock, the Option Committee may require or permit a participant to elect that any cash dividends paid on a share of Restricted Stock be automatically reinvested in additional shares of restricted stock or applied to the purchase of additional awards under the 2007 Plan. Unless otherwise determined by the Option Committee, stock distributed in connection with a stock split or stock dividend, and other property distributed as a dividend, shall be subject to restrictions and a risk of forfeiture to the same extent as restricted stock with respect to which such stock or other property has been distributed.

Restricted Stock Unit Awards. The Option Committee may grant awards of Restricted Stock Units under the 2007 Plan. A "Restricted Stock Unit" is a grant valued in terms of common stock, but common stock is not issued at the time of grant. After participants who receive awards of Restricted Stock Units satisfy applicable vesting requirements, the Company will distribute shares or the cash equivalent of the number of shares used to value the Unit. If the participant does not meet the requirements prior to the end of the vesting period, the Units will be forfeited to the Company. Vesting requirements may be met by the passage of time or by either Company or individual performance. Restricted Stock Units shall be subject to such restrictions (which may include a risk of forfeiture) as determined by the Option Committee, which restrictions may lapse at the expiration of the deferral period or at other times determined by the Option Committee.

Amendment and Termination of the 2007 Plan

The Board of Directors or the Option Committee may amend, alter or discontinue the 2007 Plan, except that if any applicable statute, rule or regulation requires shareholder approval with respect to any amendment of the 2007 Plan, then to the extent so required, shareholder approval will be obtained. No amendment may impair the right of a participant under an outstanding agreement. The 2007 Plan will terminate on August 2, 2017.

Federal Income Tax Consequences

The following is a summary of the material United States federal income tax consequences to us and to recipients of certain awards under the 2007 Plan. The summary is based on the Internal Revenue Code and the U.S. Treasury regulations promulgated thereunder in effect as of the date of this Proxy Statement, all of which may change with retroactive effect. The summary is not intended to be a complete analysis or discussion of all potential tax consequences that may be important to recipients of awards under the 2007 Plan.

Nonqualified Stock Options. A recipient will not have any income at the time a nonqualified stock option is granted, nor will the Company be entitled to a deduction at that time. When a nonqualified stock option is exercised, the

recipient generally will recognize ordinary income (whether the option price is paid in cash or by surrender of shares of Company stock), in an amount equal to the excess of the fair market value of the shares to which the option exercise pertains over the option price.

Incentive Stock Options. A recipient will not have any income at the time an incentive stock option (“ISO”) is granted. Furthermore, a recipient will not have regular taxable income at the time the ISO is exercised. However, the excess of the fair market value of the shares at the time of exercise over the option price will be a preference item that could create an alternative minimum tax liability for the recipient. If a recipient disposes of the shares acquired on exercise of an ISO after the later of two years after the grant of the ISO or one year after exercise of the ISO, the gain recognized by the recipient (i.e., the excess of the proceeds received over the option price), if any, will be long-term capital gain eligible for favorable tax rates under the Internal Revenue Code. Conversely, if the recipient disposes of the shares within two years of the grant of the ISO or within one year of exercise of the ISO, the disposition will generally be a “disqualifying disposition”, and the recipient will recognize ordinary income in the year of the disqualifying disposition equal to the lesser of (i) the excess of the fair market value of the stock on the date of exercise over the option price and (ii) the excess of the amount received for the shares over the option price. The balance of the gain or loss, if any, will be long-term or short-term capital gain, depending on how long the shares were held.

Restricted Stock and Restricted Stock Units. With respect to a grant of restricted stock or Restricted Stock Units, the participant will recognize ordinary income at the time of vesting or payout equal to the fair market value (on the vesting or payout date) of the shares or cash received minus any amount paid. For restricted stock only, a participant instead may elect to be taxed at the time of grant.

The Company generally will be entitled to a tax deduction in connection with an award under the 2007 Plan in an amount equal to the ordinary income realized by a participant at the time the participant recognizes such income, provided that the deduction is not disallowed by Section 162(m) or otherwise limited by the Internal Revenue Code.

In 2007, options to purchase a total of 40,000 shares were granted to an officer at an exercise price of \$5.40. No options were granted to directors in 2007 from the 2007 Plan and no options were granted in 2008 or 2009 under the 2007 Plan.

1997 Stock Option and Compensation Plan

In November 1997, the Board of Directors approved our 1997 Stock Option and Compensation Plan (the "1997 Plan"). Pursuant to the 1997 Plan, options were authorized to be granted to purchase an aggregate of 100,000 shares of our common stock to key employees, directors, and other persons who have or are contributing to our success. On November 9, 2004, the shareholders approved amendments to the 1997 Stock Option and Compensation Plan to allow for an aggregate of 200,000 options to be granted under the 1997 Plan. The options granted pursuant to the 1997 Plan could have been incentive options qualifying for beneficial tax treatment for the recipient or they could have been non-qualified options. The 1997 Plan was administered by an option committee that determined the terms of the options subject to the requirements of the 1997 Plan, except that the option committee did not administer the 1997 Plan with respect to automatic grants of options to our directors who were not our employees. The option committee could have been the entire Board or a committee of the Board. The 1997 Stock Option and Compensation Plan expired in November 2007.

Through May 24, 2000, directors who were not also our employees ("Outside Directors") automatically received options to purchase 5,000 shares pursuant to the 1997 Plan at the time of their election as an Outside Director. These Outside Directors options were not exercisable at the time of grant. Options to purchase 1,000 shares became exercisable for each meeting of the Board of Directors attended by each Outside Director on or after the date of grant of the options to that Outside Director, but in no event earlier than six months following the date of grant. The exercise price for options granted to Outside Directors was equal to the closing price per share of our common stock on the date of grant. All options granted to Outside Directors expired five years after the date of grant. On the date that all of an Outside Director's options became exercisable, options to purchase an additional 5,000 shares, which were exercisable no earlier than six months from the date of grant, were automatically granted to that Outside Director. On May 24, 2000, the Board of Directors voted to (1) decrease the amount of options automatically granted to Outside Directors from 5,000 to 500 options, and (2) decrease the amount of exercisable options from 1,000 to 100 per meeting. The term of the Outside Director option granted in the future was lowered from five years to two years. The other terms of the Outside Director options did not change. On July 5, 2002, the Board of Directors voted to (1) increase the amount of options automatically granted to Outside Directors from 500 to 2,500 options, and (2) increase the amount of exercisable options from 100 to 500 per meeting. The other terms of the Outside Director options did not change.

The Company granted a total of 7,500 options to Outside Directors under the 1997 Plan during 2007 at exercise prices ranging from \$4.80 to \$5.47 per share. The Company granted a total of 5,000 options to Outside Directors under the 1997 Plan during 2006 at an exercise price of \$6.50 per share. The Company granted a total of 5,000 options to Outside Directors under the 1997 Plan during 2005 at exercise prices ranging from \$5.50 to \$7.50 per share.

As of December 31, 2008, there were 6,000 exercisable options outstanding related to the grants to former Outside Directors. These options expired February 12, 2009.

In addition to Outside Directors grants, the Board of Directors may grant incentive options to our key employees pursuant to the 1997 Plan. In 2007 and 2006, the Board did not grant any options to employees under the 1997 Plan. In 2005, the Board granted a total of 2,000 options under the Plan to employees with an exercise price of \$7.50. These options expired in 2008.

Employment Contracts and Termination of Employment and Change-In-Control Arrangements

Effective February 1, 2008, the Company's Board of Directors approved an employment agreement between the Company and Randall P. Marx, the Company's Chief Executive Officer (CEO), effective as of January 31, 2008. The employment agreement was recommended to the Board by the Compensation Committee. The agreement provided for annual compensation of \$250,000 in 2007, \$275,000 in 2008, and \$300,000 in 2009. On November 18, 2008 Mr. Marx resigned his position as CEO. In connection with Mr. Marx's resignation, on November 18, 2008, the Company and Mr. Marx reached an agreement for compensation of Mr. Marx that would replace the compensation and other benefits to which Mr. Marx could be entitled under his January 31, 2008 employment agreement with the Company. Pursuant to this new agreement, Mr. Marx will be compensated \$327,500 through December 31, 2009 as payment in full for his salary and accrued vacation, and he will receive health benefits from the Company through December 31, 2009. Under the terms of this agreement, Mr. Marx is not entitled to receive any other compensation or benefits to which he otherwise would have been entitled under his January 31, 2008 employment agreement. Mr. Marx also agreed to provide telephonic consulting services to the Company.

Effective November 1, 2007, the Company entered into a two year employment agreement with Mr. Monty R. Lamirato as the Company's Chief Financial Officer, which position he had served in since June 2001. The agreement provided for annual compensation of \$165,000 in the first year and \$175,000 in the second year. On November 26, 2008, Monty R. Lamirato, the Company's Chief Financial Officer and Treasurer, resigned from his positions with the Company. In connection with Mr. Lamirato's resignation, Mr. Lamirato and the Company executed a separation agreement pursuant to which Mr. Lamirato was paid \$115,000 through May 26, 2009 for all compensation and other benefits to which he otherwise would have been entitled under his November 7, 2007 employment agreement. Under the terms of this agreement, Mr. Lamirato agreed to provide consulting services to the Company through October 31, 2009. Furthermore, Mr. Lamirato was paid \$8,846 in additional pay in that year.

Effective November 1, 2007, the Company entered into a three year employment agreement with Mr. Richard A. Anderson, as the Company's Executive Vice President. The agreement provided for annual compensation of \$125,000. On November 26, 2008, Richard L. Anderson, the Company's Executive Vice President, resigned from his position with the Company. In connection with his resignation, Mr. Anderson and the Company executed a separation agreement pursuant to which Mr. Anderson was paid \$120,000 through May 26, 2009, and received health benefits from the Company through June 30, 2009, both as payment for all compensation and other benefits to which he otherwise would have been entitled under his November 7, 2007 employment agreement. Mr. Anderson also agreed to provide consulting services to the Company through December 31, 2009.

Effective November 1, 2007, the Company entered into a five year employment agreement with Mr. Steven C. Olson, as President and Chief Technology Officer of the Company's Wireless Communications Solutions Division. Mr. Olson has been with the Company since 2001. The agreement provides for annual base compensation of \$200,000 in 2007, increasing annually to \$245,000 in 2011. Mr. Olson shall also be entitled to bonuses ranging from \$5,000 to \$100,000 annually contingent upon the Wireless Communications Solutions Division achieving certain net income targets. Mr. Olson earned a bonus of \$7,500 for 2007. We previously entered into a written employment agreement with Mr. Olson, effective August 22, 2004. The employment agreement was for the period August 22, 2004 through August 22, 2007 at an annual base salary of \$175,000. Mr. Olson also was eligible to earn bonuses, upon achieving certain gross margin objectives, over the term of the agreement. Mr. Olson did not receive a bonus in 2006. Mr. Olson also received options to purchase 10,000 shares of our common stock at a price of \$6.00 per share from August 22, 2004 through August 22, 2007. Mr. Olson also received options to purchase 40,000 shares of our common stock on August 21, 2007. These options vest at a rate of 20% per year with vesting dates of 12/31/07, 12/31/08, 12/31/09, 12/31/10, and 12/31/11.

The following table shows what the potential payments upon termination or a change of control of the Company are for Mr. Olson:

| Scenario | Mr. Olson |
|--|------------|
| If early retirement occurred at December 31, 2009 | - |
| If termination for cause occurred at December 31, 2009 | - |
| If termination without cause occurred at December 31, 2009 | \$ 225,000 |
| If "termination for Good Reason" occurred at December 31, 2009 (1) | \$ 225,000 |
| If death or disability occurred as of December 31, 2009 | - |

(1) The provisions governing "Good Reason" are described in Mr. Olson's Employment Agreement, which has been filed with the U.S. Securities and Exchange Commission as Exhibit 10.3 to the Form 8-K filed on November 8, 2007. Such Form 8-K, and the Exhibits thereto, are incorporated herein by reference thereto. Such Form 8-K and Mr. Olson's Employment Agreement are publicly available at the U.S. Securities and Exchange Commission's website www.sec.gov.

We have no compensatory plan or arrangement that results or will result from the resignation, retirement, or any other termination of an executive officer's employment with us or from a change-in-control or a change in an executive officer's responsibilities following a change-in-control, except that the 2007 Stock Incentive Plan and 1997 Stock Option and Compensation Plan provides for vesting of all outstanding options in the event of the occurrence of a change-in-control.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The number of shares beneficially owned includes shares of Common Stock with respect to which the persons named below have either investment or voting power. A person is also deemed to be the beneficial owner of a security if that person has the right to acquire beneficial ownership of that security within 60 days through the exercise of an option or through the conversion of another security. Except as noted, each beneficial owner has sole investment and voting power with respect to the Common Stock.

Common Stock not outstanding that is subject to options or other convertible securities or rights is deemed to be outstanding for the purpose of computing the percentage of Common Stock beneficially owned by the person holding such options or other convertible securities or rights, but is not deemed to be outstanding for the purpose of computing the percentage of Common Stock beneficially owned by any other person.

The following table summarizes certain information as of April 20, 2010, except as noted below, with respect to the beneficial ownership of our common stock by each director, by all executive officers and directors as a group, and by each other person known by us to be the beneficial owner of more than five percent of our common stock. As of April 20, 2010, 3,091,350 shares of our Common Stock were issued and outstanding.

| Name and Address of Beneficial Owner | Number of Shares Beneficially Owned (1) | Percent of Class |
|--|---|------------------|
| Randall P. Marx ARC Wireless Solutions, Inc. 10601 West 48th Ave. Wheat Ridge, CO 80033 | 167,165(5) | 5.41% |
| Steven C. Olson ARC Wireless Solutions, Inc. 10601 West 48th Ave. Wheat Ridge, CO 80033 | 17,751(3) | * |
| Paul J. Rini 7376 Johnnycake Rd Mentor, Ohio 44060 | 438,004(6) | 14.17% |
| Jason Young ARC Wireless Solutions, Inc. 10601 West 48th Ave. Wheat Ridge, CO 80033 | 576,269(2)(7) | 18.64% |
| Brean Murray Carret Group, Inc. 40 West 57th Street, 20th Floor New York, NY 10019 | 576,269(4)(7) | 18.64% |
| Viktor Nemeth ARC Wireless Solutions, Inc. 10601 West 48th Ave. | 0 | * |

Wheat Ridge, CO 80033

| | | |
|------------------------------|---|---|
| Marco Vega | 0 | * |
| ARC Wireless Solutions, Inc. | | |
| 10601 West 48th Ave. | | |
| Wheat Ridge, CO 80033 | | |

| | | |
|------------------------------|---|---|
| Javier Baz | 0 | * |
| ARC Wireless Solutions, Inc. | | |
| 10601 West 48th Ave. | | |
| Wheat Ridge, CO 80033 | | |

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| | | |
|---|---|---|
| Lynn Wunderman ARC Wireless Solutions, Inc. 10601 West 48th Ave. Wheat Ridge, CO 80033 | 0 | * |
|---|---|---|

| | | |
|---|------------------|--------|
| All officers and directors as a group (6 persons) | 594,020(2)(3)(7) | 19.21% |
|---|------------------|--------|

* Less than one percent.

- (1) "Beneficial ownership" is defined in the regulations promulgated by the U.S. Securities and Exchange Commission as having or sharing, directly or indirectly (1) voting power, which includes the power to vote or to direct the voting, or (2) investment power, which includes the power to dispose or to direct the disposition, of shares of the common stock of an issuer. The definition of beneficial ownership includes shares underlying options or warrants to purchase common stock, or other securities convertible into common stock, that currently are exercisable or convertible or that will become exercisable or convertible within 60 days. Unless otherwise indicated, the beneficial owner has sole voting and investment power.
- (2) Consists of 576,269 shares beneficially owned by the Brean Murray Carret Group, Inc. Mr. Young is deemed to share voting and investment power over the shares beneficially owned by the Brean Murray Carret Group, Inc.
- (3) Consists of 1,751 shares in Mr. Olson's ARC Wireless 401(k) account and options to purchase 16,000 shares at \$5.41 per share until September 21, 2017, granted under the 2007 Stock Incentive Plan which are currently exercisable.
- (4) Consists of 576,269 shares beneficially owned by Brean Murray Carret Group, Inc. Mr. Young, the Company's Chief Executive Officer and Chairman of the Board, serves as a representative of Brean Murray Carret Group, Inc. and he holds voting and investment power over these shares.
- (5) Includes 163,816 shares directly held by Randall Marx, the Company's former Chief Executive Officer and Chairman of the Board, 1,980 shares in his ARC Wireless 401(k) account, 800 shares held by his spouse's IRA and 570 shares owned beneficially through a 50% ownership of an LLC. This does not include 2,170 shares owned by the Harold and Theora Marx Living Trust, of which Mr. Marx's father is the trustee, as Mr. Marx disclaims beneficial ownership of these shares. This also does not include 3,100 shares owned by Warren E. Spencer Living Trust, of which Mr. Marx's mother-in-law is trustee, as Mr. Marx disclaims beneficial ownership of these shares.
- (6) Consists of shares owned by Mr. Paul J. Rini as reported on February 1, 2010.
- (7) The shares owned by Brean Murray Carret Group, Inc. are included three times in the table in accordance with the rules governing disclosure of beneficial ownership. In addition to being shown as owned by Brean Murray Carret Group, Inc., these same shares are included as being beneficially owned by Jason Young and by all officers and directors as a group.

Item 13. Certain Relationships and Related Transactions and Director Independence

We do not employ specific written procedures for the review, approval or ratification of related party transactions involving our directors, officers and employees or their family members, but we consider such transactions on a case-by-case basis.

On January 23, 2009 we entered into a financial advisory engagement (the "Agreement") with Quadrant Management, Inc. (the "Advisor"). Quadrant Management, Inc. is under common control with Brean Murray Carret Group, Inc., an entity that beneficially owns 575,763, or 18.63%, of the Company's common stock. Mr. Young, the Company's current Chief Executive Officer, has been a Managing Director at Quadrant Management, Inc. since 2005, where he is responsible for making investments in US and emerging market companies, and where he frequently serves in active management- or director-level roles.

Pursuant to the Agreement, the Advisor will provide to ARC financial advisory and business consulting services, including restructuring services.

In consideration for the restructuring services provided by the Advisor since November 2008 and for the ongoing services to be provided, ARC will pay the following: 1) an initial cash fee of \$250,000 upon signing the Agreement; 2) an annual fee of the greater of (i) \$250,000, or (ii) 20% of any increase in reported earnings before interest, taxes, depreciation and amortization after adjusting for one-time and non-recurring items ("EBITDA") for the current financial year over preceding year, or (iii) 20% of reported EBITDA for the current financial year; and 3) all reasonable out-of-pocket expenses incurred by Advisor in performing services under the Agreement.

The Agreement will expire on December 31, 2013.

Except as set forth herein, during the fiscal year ended December 31, 2009 and during the interim period since the end of fiscal year 2009, there were no transactions between the Company and its directors, executive officers or known holders of greater than five percent of the Company's Common Stock in which the amount involved exceeded \$120,000 and in which any of the foregoing persons had or will have a direct or indirect material interest.

Item 14. Principal Accounting Fees and Services

The Audit Committee reviews and determines whether specific projects or expenditures with our independent registered public accounting firm (auditor), HEIN & ASSOCIATES LLP potentially affect their independence. The Audit Committee's policy requires that all services the Company's independent registered public accounting firm (auditor) may provide to the Company, including audit services and permitted audit-related services, be pre-approved in advance by the Audit Committee. In the event that an audit or non-audit service requires approval prior to the next scheduled meeting of the Audit Committee, the auditor must contact the Chairman of the Audit Committee to obtain such approval. Any approval will be reported to the Audit Committee at its next scheduled meeting.

Audit Fees

The following table sets forth the aggregate fees billed to us for the years ended December 31, 2009, 2008 and 2007:

| | 2009 | 2008 | 2007 |
|--------------------------------|--------------|--------------|--------------|
| Audit fees | \$ 63,850(1) | \$ 91,000(1) | \$ 78,000(1) |
| Audit-related fees | —(2) | —(2) | —(2) |
| Tax fees | \$ 5,000(3) | 18,000(3) | 22,000(3) |
| All other fees | | — | — |
| Total audit and non-audit fees | \$ 68,850 | \$ 109,000 | \$ 100,000 |

- (1) Includes fees for professional services rendered for the audit of our annual financial statements and review of our Annual Report on Form 10-K for the year 2009, 2008 and 2007 and for reviews of the financial statements included in our quarterly reports on Form 10-Q for the first three quarters of fiscal 2009, 2008 and 2007 and related SEC registration statements.
- (2) Includes fees billed for professional services rendered in fiscal 2009, 2008 and 2007, in connection with acquisition planning and due diligence.
- (3) Includes fees billed for professional services rendered in fiscal 2009, 2008 and 2007, in connection with tax compliance (including U.S. federal and state returns) and tax consulting.

PART IV

Item 15. Exhibits, Financial Statement Schedules

EXHIBIT INDEX

| Exhibit Number | Description |
|-------------------|--|
| 3.1 | Amended and Restated Articles of Incorporation dated October 11, 2000 (1) |
| 3.2 | Bylaws of the Company as amended and restated on March 25, 1998 (2) |
| 10.1 | Agreement between and among Winncom Technologies Inc., Winncom Technologies Corp. and the Company dated May 24, 2000 (3) |
| 10.2 | Stock Purchase Agreement, by and among Bluecoral limited, Winncom Technologies Corp. and the Company dated as of July 28, 2006 (4) |
| 10.3 | Escrow Agreement, dated July 28, 2006, by and among the Company, Bluecoral Limited and Consumer Title Services, LLC (4) |
| 10.4 | Employment Agreement effective January 31, 2008 between the Company and Randall P. Marx (5) |
| 10.5 | Employment Agreement effective November 1, 2007 between the Company and Monty R. Lamirato (6) |
| 10.6 | Employment Agreement effective November 1, 2007 between the Company and Steve C. Olson (6) |
| 10.7 | Employment Agreement effective November 1, 2007 between the Company and Richard L. Anderson (6) |
| 10.8 | Separation Agreement effective November 18, 2008 between the Company and Randall P. Marx (8) |
| 10.9 | Separation Agreement effective November 26, 2008 between the Company and Monty R. Lamirato (8) |
| 10.10 | Separation Agreement effective November 26, 2008 between the Company and Richard L. Anderson (8) |
| 14.1 | Amended and Restated Code of Ethics (7) |
| 21.1 | Subsidiaries of the Registrant (9) |
| 31.1 | Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification of the Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification of the Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 99.1 | Nominating Policies and Procedures (10) |

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- (1) Incorporated by reference from the Company's Form 10-KSB for December 31, 2000 filed on April 2, 2001.
- (2) Incorporated by reference from the Company's Form 10-KSB for December 31, 1997 filed on March 31, 1998.
- (3) Incorporated by reference from Exhibit 2.1 of the Company's Form 8-K filed on June 8, 2000.
- (4) Incorporated by reference from the Company's Form 8-K/A filed on August 2, 2006.
- (5) Incorporated by reference from the Company's Form 8-K filed on February 7, 2008.
- (6) Incorporated by reference from the Company's Form 8-K filed on November 8, 2007.
- (7) Incorporated by reference from the Company's Form 8-K filed on November 13, 2006.
- (8) Incorporated by reference from the Company's Form 8-K filed on December 3, 2008.
- (9) Incorporated by reference from the Company's Form 10-K for December 31, 2009 filed on March 19, 2010.
- (10) Incorporated by reference from the Company's Schedule 14A filed with the Securities and Exchange Commission on December 1, 2009.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ARC Wireless Solutions, Inc.

Date: April 30, 2010

By: /s/ Jason T. Young
Name: Jason T. Young
Title: Principal Executive Officer

Date: April 30, 2010

By: /s/ Steve Olson
Name: Steve Olson,
Title: Chief Technology Officer,
Acting Principal Financial Officer and
Acting Principal Accounting Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant in the capacities and on the dates indicated.

| Date | Signatures |
|----------------|--|
| April 30, 2010 | /s/ Jason T. Young Jason T. Young, Director |
| April 30, 2010 | /s/ Viktor Nemeth Viktor Nemeth, Director |
| April 30, 2010 | /s/ Marco Vega Marco Vega, Director |
| April 30, 2010 | /s/ Javier Baz Javier Baz, Director |
| April 30, 2010 | /s/ Lynn Wunderman Lynn Wunderman, Director |