

WAVE SYSTEMS CORP.  
480 Pleasant Street  
Lee, Massachusetts 01238

NOTICE OF RESCHEDULED DATE OF  
ANNUAL MEETING OF STOCKHOLDERS  
AND  
AMENDMENT TO PROXY STATEMENT PROPOSAL

To the Stockholders of Wave Systems Corp.:

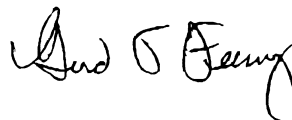
The Wave Systems Corp. Annual Meeting of Stockholders has been adjourned and rescheduled from Monday, May 21, 2007 at 4:00 p.m. to Thursday, June 7, 2007 at 4:00p.m. The location of the Annual Meeting, The New York Helmsley Hotel, 212 East 42nd Street, New York, New York, has not changed. The record date for the determination of the stockholders entitled to notice of, and to vote at, the Annual Meeting will remain April 9, 2007.

In response to feedback we have received from many of our stockholders, our board of directors has revised its proposed amendments to the Amended and Restated 1994 Employee Stock Option Plan (the "Amended Plan"). Our board of directors has taken the concerns that stockholders have expressed about the scope of the original proposed amendments very seriously. We believe that our revisions to Proposal No. 2 address those concerns while serving the key objective of the plan, which is to continue to issue stock options as an important component of the compensation packages for all Wave Systems employees, thereby more closely aligning their interests with those of all of our stockholders.

The revised Proposal No. 2 seeks stockholder approval to (i) increase the number of shares of Class A Common Stock reserved for issuance under the plan by 3,666,667 shares (from 6,833,333 shares to 10,500,000 shares) and (ii) increase the number of shares of Class A Common Stock for which options may be granted under the plan to a single individual in a year by 133,333 shares (from 166,667 shares to 300,000 shares per year). Proposal No. 2 continues to seek approval for the extension of the termination date of the plan from January 18, 2009 to July 1, 2014.

As of May 7, 2007, there are only 316,300 shares of Class A Common Stock reserved for issuance under the Amended and Restated 1994 Employee Stock Option plan. Accordingly, approval of the revised amendments to the plan remains critical to our goals of attracting, retaining and providing incentives to all of our employees.

These changes are the only changes to the matters to be voted on at the Annual Meeting from the original proxy statement mailed to stockholders on or about April 24, 2007. **Please sign and return the accompanying revised proxy card.** PLEASE DISCARD THE ORIGINAL PROXY CARD MAILED TO YOU. THE ORIGINAL PROXY CARD MAILED TO YOU IS NOT VALID, EVEN IF IT HAS ALREADY BEEN SUBMITTED. IF YOU HAVE SUBMITTED THE ORIGINAL PROXY CARD, IT WILL NOT BE IN EFFECT, WILL NOT BE COUNTED FOR THE PURPOSE OF QUORUM AND WILL NOT BE VOTED AT THE ANNUAL MEETING.



Gerard T. Feeney  
Secretary

Lee, Massachusetts  
May 7, 2007

WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING, PLEASE COMPLETE, DATE, SIGN AND RETURN YOUR REVISED PROXY CARD IN ORDER TO ASSURE REPRESENTATION OF YOUR SHARES. NO POSTAGE NEED BE AFFIXED IF THE REVISED PROXY CARD IS MAILED IN THE UNITED STATES.

WAVE SYSTEMS CORP.  
480 Pleasant Street  
Lee, Massachusetts 01238

AMENDMENT TO PROXY STATEMENT  
FOR THE ANNUAL MEETING OF STOCKHOLDERS

To Be Held on June 7, 2007

**Rescheduled Date of Annual Meeting of Stockholders**

The Wave Systems Corp. Annual Meeting of Stockholders has been adjourned and rescheduled from Monday, May 21, 2007 at 4:00 p.m. to Thursday, June 7, 2007 at 4:00p.m. The location of the Annual Meeting, The New York Helmsley Hotel, 212 East 42nd Street, New York, New York, has not changed.

**Amendment to Proposal No. 2 (Approval of Amendments to the Amended and Restated 1994 Employee Stock Option Plan (the "Amended Plan"))**

On or about April 24, 2007, we mailed a proxy statement to our stockholders describing the matters to be voted on at the Annual Meeting. Our original Proposal No. 2 in that proxy statement sought the following approval:

2. To ratify the action of the Board of Directors in amending the Amended and Restated 1994 Employee Stock Option Plan to (i) increase the number of shares of Class A Common Stock authorized for issuance thereunder from 6,833,333 to 21,500,000, (ii) increase the number of shares of Class A Common Stock that may be granted to a single individual in a year from 166,667 to 500,000 and (iii) extend the termination date thereof from January 18, 2009 to July 1, 2014;

**Our Board of Directors has amended Proposal No. 2 as follows:**

2. To ratify the action of the Board of Directors in amending the Amended and Restated 1994 Employee Stock Option Plan to (i) increase the number of shares of Class A Common Stock authorized for issuance thereunder from 6,833,333 to 10,500,000, (ii) increase the number of shares of Class A Common Stock for which options may be granted thereunder to a single individual in a year from 166,667 to 300,000 and (iii) extend the termination date thereof from January 18, 2009 to July 1, 2014;

These changes are the only changes to the matters to be voted on at the Annual Meeting from the original proxy statement mailed to stockholders.

**Amended Proxy Statement Disclosure**

Our original proposal to approve the Amended Plan can be found under Proposal No. 2 beginning on page 17 of the original proxy statement. Our amendments to Proposal No. 2 amend part of the disclosure contained in the second sentence of the fourth complete paragraph on page 17. Deleted text is shown below as crossed through and new text is shown below in bold and underlined:

The Board of Directors adopted on ~~April 12, 2007~~ May 4, 2007, subject to approval by the stockholders, amendments (the "2007 Amendments") to the Company's Amended and Restated 1994 Employee Stock Option Plan (as amended, the "1994 Employee Plan"). The 2007 Amendments submitted for approval by the stockholders will (i) extend the termination date thereof from January 1, 2009 to July 1, 2014, (ii) increase the number of shares of Class A Common Stock ~~that for which options~~ may be granted to a single individual in a year from 166,667 to 500,000 **300,000** and (iii) increase number of shares of Class A Common Stock reserved for issuance under the 1994 Employee Plan from 6,833,333 to ~~21,500,000~~ **10,500,000**.

(CONTINUED ON REVERSE SIDE)

Corresponding changes are hereby made to the “Summary of the 1994 Plan” beginning on page 18 and to the Amended Plan, a form of which was attached to the original proxy statement as Exhibit 1.

The changes set forth above are the only changes to the proposals to be voted on at the Annual Meeting. Otherwise, the original proxy statement for the Annual Meeting remains unchanged.

The affirmative vote of a majority of the total votes present in person or by proxy and voting on such matter is required for approval of Proposal No. 2.

### **Voting Matters**

In connection with our filing of this amendment to our proxy statement, a revised proxy card is enclosed. PLEASE SIGN AND RETURN THE ENCLOSED REVISED PROXY CARD. PLEASE DISCARD THE ORIGINAL PROXY CARD MAILED TO YOU. THE ORIGINAL PROXY CARD MAILED TO YOU IS NOT VALID, EVEN IF IT HAS ALREADY BEEN SUBMITTED. IF YOU HAVE SUBMITTED THE ORIGINAL PROXY CARD, IT WILL NOT BE IN EFFECT, WILL NOT BE COUNTED FOR THE PURPOSE OF QUORUM AND WILL NOT BE VOTED AT THE ANNUAL MEETING.

### **Proxy Materials**

We will provide upon request and without charge to each stockholder receiving this amendment a copy of the original proxy statement, our Annual Report on Form 10-K for the fiscal year ended December 31, 2006, and/or the amended form of the Amended Plan. Copies can be obtained by writing to our Secretary, Wave Systems Corp., 480 Pleasant Street, Lee, Massachusetts 01238. This information is also available online at: [http://www.wave.com/about/annual\\_report.html](http://www.wave.com/about/annual_report.html). This amendment does not provide all of the information about us that is important to your vote at the Annual Meeting. This amendment supplements and amends the original proxy statement and is intended to be read in conjunction therewith. Please read this amendment and the original proxy statement carefully and in their entirety.