

WAVE SYSTEMS CORP.

POLICY ON COMPLAINTS REGARDING ACCOUNTING AND AUDITING MATTERS

Section 1. Purpose.

Wave Systems Corp. (the "Company") is committed to providing its shareholders, the investing public and those institutions which regulate our nation's securities markets with financial statements that comply with all applicable laws and that fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of the relevant dates and for the relevant periods presented. To assist it in meeting this commitment, the Company has adopted internal accounting controls that are intended to prevent, deter and remedy questionable accounting or auditing practices. In addition, the Company employs internal accounting personnel to assess and monitor and an independent accounting firm and outside legal counsel to assess the effectiveness of these internal controls and to assist the Company in meeting all legal requirements with respect to its financial reporting obligations. However, in its quest to prevent all questionable accounting and auditing practices, the Company must have the support and cooperation of all of its employees. It is the policy of the Company to encourage such support and cooperation. To effectuate this policy, the Company is establishing procedures which provide for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls and auditing matters; and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters. It is also the policy of the Company that any employee who provides information or makes statements in good faith and in furtherance of this policy will not suffer any retaliation by the Company or any of its employees for providing such information or making such statements.

Section 2. Reporting Alleged Accounting, Internal Accounting Controls and Auditing Violations or Concerns.

If an employee suspects that (i) the Company, any of its employees or others acting on behalf of the Company may have violated any accounting rules, internal accounting controls or auditing rules applicable to the Company; or (ii) any of the Company's financial statements included in a registration statement or report filed with the Securities and Exchange Commission does not fairly present, in all material respects, the financial condition, results of operations or cash flows of the Company as of the relevant dates or for the relevant periods presented, then the employee should immediately report such suspicion to:

Mr. John E. Bagalay, Jr.
Chairman
Wave Systems Corp.
c/o EuroUS Ventures
2000 Commonwealth Avenue
Suite 300
Newton, MA 02466
Telephone: (617) 244-2304
Facsimile: (617) 244-8383

Employees may report suspected violations or concerns by telephone, letter or email to the Chairman of the Audit Committee. If sent by letter, the employee should mark the envelope "Confidential and Private". Regardless of the method of communication, the report should be sufficiently detailed and inclusive to ensure a clear understanding of the issues raised. Although reports may be submitted anonymously, they are likely to be more useful if the employee is identified and available for discussion with the Chairman of the Audit Committee or others designated by him.

Section 3. Investigation of Reports of Alleged Accounting, Internal Accounting and Auditing Controls or Concerns.

Following receipt of a report made under Section 2 of this policy, the Chairman of the Audit Committee shall commence such investigation as he, in his reasonable judgment, deems appropriate. He shall be authorized to retain such other individuals, including, without limitation, outside legal and accounting experts, as he deems appropriate to assist in such investigation. At each meeting of the Audit Committee, the Chairman of the Audit Committee or his designee shall prepare a report to the entire Audit Committee stating the nature of any report submitted by employees under Section 2 of this policy during the quarter immediately preceding the meeting of the Audit Committee and the status of the investigation of each such report. The Audit Committee shall make the final determination of whether a violation of the accounting rules, internal accounting controls or auditing rules applicable to the Company has occurred and whether any of the Company's financial statements included in a registration statement or report filed with the Securities and Exchange Commission does not fairly present, in all material respects, the financial condition, results of operations or cash flows of the Company as of the relevant dates or for the relevant periods presented.

Section 4. No Retaliation for Submitting Reports of Alleged Violations or Concerns.

There will be no retaliation by the Company or any of its employees against any employee who makes a report pursuant to this policy even if after investigation the Audit Committee determines that there has not been a violation of any accounting, internal accounting controls or auditing rules applicable to the Company or that it is not the case that any of the Company's financial statements included in a registration statement or report filed with the Securities and Exchange Commission did not fairly present, in all material respects, the financial condition, results of operations or cash flows of the Company as of the relevant dates or for the relevant periods presented. However, employees who make reports or provide evidence which they know to be false or without a reasonable belief in the truth and accuracy of such information will not be protected by the provisions of this Section 4 and may be subject to disciplinary action, including termination of their employment.

Section 5. Corrective Action.

If the Audit Committee determines that the Company has violated any accounting rules, internal accounting controls or auditing rules, or that the financial statements included in a registration statement or report filed with the Securities and Exchange Commission did not fairly present, in all material respects, the financial condition, results of operations or cash flows of the Company as of the relevant dates or for the relevant periods presented, then the Audit Committee

shall take such action as it determines is necessary to remedy such matters. If an employee believes he or she has been subjected to any action that violates Section 4 of this policy, he or she may file a complaint with the Chairman of the Audit Committee. The Chairman of the Audit Committee shall conduct such investigation of such complaint as he deems appropriate and shall advise the Audit Committee of the results of such investigation. If, after considering the results of such investigation, the Audit Committee determines that an employee has experienced any improper action in violation of Section 4 of this policy, then such employee will be entitled to appropriate corrective action.

Section 6. Confidentiality and Retention of Reports by Employees.

Unless otherwise agreed to by the employee, and except as otherwise required by law, the identity of an employee who makes a report under Section 2 of this policy shall be maintained in confidence and shall not be disclosed to any person than other members of the Audit Committee and those persons designated by the Chairman of the Audit Committee to assist in the investigation of the report (which shall not include other employees of the Company). All written reports under Section 2 of this policy, together with the results of investigations relating to such reports, shall be retained by the Audit Committee of the Company for a minimum of six years.