UNITY WIRELESS CORP
Form SB-2
September 05, 2002

As filed with the Securities and Exchange Commission on September 4, 2002. Registraiton Statement No. 333-

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM SB-2
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

UNITY WIRELESS CORPORATION
(Name of small business issuer in its charter)

Delaware	4812	91-1940650
(State or jurisdiction of of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employee Identification No.)

7438 Fraser Park Drive, Burnaby, British Columbia, Canada V5J 5B9 (800)337-6642
(Address and telephone number of principal executive offices and principal place of business)

Evergreen Corporate Services, Inc.
33713 9th Avenue South
Federal Way, WA 98003-6762
(253) 874-2949
(Name, address and telephone number of agent for service)

Copies to:
Kenneth Sam
Ryan Pardo
Dorsey & Whitney LLP
1420 Fifth Avenue, Suite 3400
Seattle, WA 98101
(206) 903-8800

Approximate date of proposed sale to the public: From time to time after the effective date of this registraiton statement.

*Pursuant to Rule 429 adopted under the Securities Act of 1933, this Registration Statement also constitutes a post effective amendment to Registraiton Statements Nos. 333-82922, 333-71400 and 333-47328.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. |X|

If this Form is filed to register additional securities for an offering pursuant

to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective statement for the same offering. |_|

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective statement for the same offering. |_|

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. |_|

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. |_|

CALCULATION OF REGISTRATION FEE

Title of Shares to be registered	Amount to be registered(1)(2)	Proposed Maximum Offering Price Per Share(3)	Proposed Maximum Aggregate offering Price(3)	Reg
Common Stock issued in Private Offering	2,317,857	$0.20	$ 463,571.40	
Common Stock underlying Warrants issued in Private Offering	2,454,786	$0.23	$ 564,600.78	
TOTAL	4,722,643		$1,028,172.10	

(1) Calculated pursuant to Rule 457(c) and (g) under the Securities Act of 1933.
(2) Based on the actual warrant exercise price per Rule 457(g).
(3) Estimated pursuant to Rule 457(c), solely for purposes of calculating amount of registration fee, based on the average of the bid and ask sales prices of the Registrant's common stock on August 15, 2002, as quoted in the National Association of Securitites Dealers Over-the-Counter Bulletin Board.

The Registrant hereby amends this Registraiton Statement on such date or dates

as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that htis Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securitites Act of 1933, as amended, or until this Registraiton Statment shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

EXPLANATORY NOTE

Unity Wireless Corporation has previously filed Registration Statements Nos. 333-82922, 333-71400 and 333-47328 to register shares of its common stock, as well as shares of its common stock underlying warrants held by certain selling stockholders. Pursuant to Rule 429 of the Securities Act of 1933, as amended, this Registration Statement also serves as a post-effective amendment to the prior registration statements. This Registration Statement eliminates those selling stockholders who have previously sold their shares pursuant to the previous registration statements and also eliminates those selling stockholders to whom the Company no longer has registration obligations. This Registration Statement registers an additional 4,772,643 shares of common stock which have not previously been registered, including 2,317,857 shares issued in a private placement and 2,454,786 shares of common stock or shares of common stock underlying warrants.

The information contained in this prospectus is not complete and may be changed. The selling stockholders may not sell these securitites until the registration statement filed with the Securitites and Exchange Commission is effective. This propsectus is not an offer to sell these shares and the selling stockholders are not soliciting an offer to buy these shares in any state where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS

SUBJECT TO COMPLETION

September 4, 2002

UNITY WIRELESS CORPORATION

15,514,974 Shares of Common Stock

This is a public offering of 15,514,974 shares of the common stock of Unity Wireless Corporation.

All of the shares being offered, when sold, will be sold by selling stockholders as listed in this prospectus on pages 10 through 13. The selling stockholders are offering:

- 8,312,636 shares of common stock acquired in private placements; and
- 7,202,338 shares of common stock issuable on exercise of warrants.

We will receive $1,664,324 in proceeds upon exercise of the warrants

outstanding on August 15, 2002, if exercised. We will not receive any of the proceeds from the sale of the shares.

Our common stock is traded on the National Association of Securities Dealers Over-the-Counter Bulletin Board under the symbol "UTYW" and on the TSX Venture Exchange (formerly known as the Canadian Venture Exchange) under the symbol "UWC." On August 15, 2002, the closing sale price for our common stock was $0.20 on the NASD OTCBB and CDN$0.30 on the TSX Venture Exchange.

Investing in the Shares involves risks. See "Risk Factors and Uncertainties" beginning on page 3.

These Securities have not been approved or disapproved by the SEC or any state securities commission nor has the SEC or any state securities commission passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is September 4, 2002.

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FORWARD-LOOKING STATEMENTS

We use words like "expects," "believes," "intends," "anticipates," "plans," "targets," "projects" or "estimates" in this prospectus. When used, these words and other, similar words and phrases or statements that an event, action or result "will," "may," "could," or "should" occur, be taken or be achieved identify "forward-looking" statements. We have made forward-looking statements with respect to the following, among others:

- our goals and strategies;
- our expectations related to growth of the wireless telecommunication industry in the markets in which we conduct business;
- our ability to develop, manufacture and market telecommunications amplifiers on a competitive basis;
- our ability to earn sufficient revenues from sales of our products;
- the pace of changes in wireless telecommunications technologies;
- the demand for our products;
- competition in the wireless telecommunications industry; and
- our anticipated results of operations.

We are making these forward-looking statements only as of the date of this prospectus, based on our management's current beliefs and expectations. Our forward-looking statements are subject to a number of risks and uncertainties that could cause our actual results or actual events to differ materially from those reflected in our forward-looking statements. These risks and uncertainties include, but are not limited to, changes in the economic and political environments in the markets in which we conduct business, changes in technology, increased competition and changes in the wireless telecommunications industry and the other factors described under the heading "Risk Factors" beginning on page 3. Forward-looking statements are by their nature subject to many varied uncertainties and risks. Actual results could vary greatly. You should not place undue reliance on forward-looking statements. Potential investors should review the "Risk Factors and Uncertainties" below for a discussion of some of these risks.

SUMMARY INFORMATION

Because this section is a summary, it may not contain all of the information important to an investor. Investors should read this prospectus and our financing statement and notes completely and carefully before deciding whether to invest.

Summary of the Offering

This is an offering of up to 15,514,974 shares of our common stock, including up to 8,312,636 shares held by our security holders, referred to in this Prospectus as the selling stockholders, and 7,202,338 shares issuable upon the exercise of outstanding warrants issued by us to some of the selling stockholders. We will not receive any proceeds from the sale of the shares by the selling stockholders, but we will receive up to $1,664,324 in proceeds upon exercise of the warrants, if exercised. We cannot assure you that the warrants will be exercised.

Summary of Our Business

We, Unity Wireless Corporation, are a designer, developer and manufacturer of wireless technologies and products for a broad range of industrial and commercial applications. Our business is primarily focused on high power linear radio frequency amplifiers.

High power linear radio frequency amplifiers are used in both mobile and fixed wireless voice, Internet and data base station and repeater networks and support cellular, personal communications services referred to as "PCS", Paging and wireless local loop frequencies. We produce more than 16 different models of high power radio frequency amplifiers. We are also currently in the process of developing a new feed forward radio frequency amplifier that is designed to improve the performance of wireless telecommunications networks, making them faster and more cost effective for our customers to build out the next-generation 2.5 and third generation 3G networks.

We have one subsidiary, Unity Wireless Systems Corporation, a British Columbia Corporation.

Our principal office is at 7438 Fraser Park Drive, Burnaby, British Columbia V5J 5B9, and our telephone number is (800) 337-6642. We maintain a website at www.unitywireless.com. Information contained on our website is not part of this prospectus.

RISK FACTORS AND UNCERTAINTIES

Readers should carefully consider the risks and uncertainties described below before deciding whether to invest in shares of our common stock.

Our failure to successfully address the risks and uncertainties described below would have a material adverse effect on our business, financial condition or results of operations, and the trading price of our common stock may decline and investors may lose all or part of their investment.

We cannot assure any investor that we will successfully address these risks.

Risks and uncertainties relating to our common stock

You may lose your entire investment

Given our continued need for additional capital and our history of losses, our stock involves a high degree of risk, and should not be purchased by any person who cannot afford the loss of the entire investment. A purchase of our stock is currently "unsuitable" for a person who cannot afford to lose his entire investment.

We have a history of losses and may never achieve profitability

We have a history of losses. We had an accumulated deficit at June 30, 2002 of $14,415,321 and at December 31, 2001 of $12,830,289. During 2001 and the first half of 2002, we focused our business entirely on the wireless product segment, primarily our amplifier products, and incurred a net loss in 2001, after deducting expense attributed to stock option grants to employees, of $2,098,014 (2000 - loss of $5,318,633), and a net loss for the six month period ended June 30, 2002 after giving effect to accounting gains as a result of stock option grants of $1,585,032 (2001 - loss of $505,164). We also used cash from operations of $1,847,392 in 2001 (2000 - $3,097,829 in cash used) and $1,014,663 (2001 - $644,838 in cash used) during the six month period ended June 30, 2002. Our operations to date have been primarily financed by the sale of equity

securities. We anticipate that we will continue to incur net losses during our

current year ending December 31, 2002 due to increased research & development costs and additional sales & marketing costs related to pursuing our revised business strategy of securing long-term customer supply agreements and a prolonged slow down in the telecommunications industry. Our ability to earn a profit will depend on the commercial acceptance and profitability of our products. We may never achieve profitability.

We anticipate that we will require additional capital

Our capital requirements are difficult to plan in light of our current strategy to expand our customer base and to develop new products and technologies. Since our inception, we have been dependent on investment capital as our primary source of liquidity. As of June 30, 2002, we had working capital deficiency of $286,159. Our operations presently are generating negative cash flow, and we do not expect positive cash flow from operations in the near term. In early July 2002, we received gross proceeds of $270,000 from the exercise of $0.30 warrants by certain stockholders including some of our officers and directors. We need to secure additional working capital in the short-term in order to sustain our operations and met our current obligations.

In addition, we will require additional capital for inventory, components and work in process or to expand our manufacturing capacity if we enter into contracts for large quantities of our amplifiers. We are incurring expenses in anticipation of future sales that may not materialize. If future sales fall significantly below our expectations or if we incur unanticipated costs or expenses our financing needs could be increased. Any inability to obtain sufficient capital to sustain our existing operations, to meet commitments or to fund our obligations under our existing sales orders may require us to delay delivery of products, to default on one or more agreements or to significantly reduce or eliminate sales and marketing, research and development or administrative functions. The occurrence of any of these, or other adverse affects of inability to raise adequate capital may have a material adverse effect on our business, financial condition and results of operations.

Our auditors have expressed doubt about our ability to continue as a "going concern"

Our financial statements have been prepared on the going concern basis under which an entity is considered to be able to realize its assets and satisfy our liabilities in the ordinary course of business. Our operations to date have been primarily financed by long-term debt and equity transactions. Our future operations are dependent upon the identification and successful completion of additional long-term debt or permanent equity financing, the continued support of creditors and stockholders, and, ultimately, profitable operations. We can not assure you that we will be successful. If we are not, we will be required to reduce operations or liquidate assets. We will continue to evaluate projected expenditures relative to available cash and to seek additional means of financing in order to satisfy our working capital and other cash requirements. Our auditors' report on our December 31, 2001, consolidated financial statements includes an explanatory paragraph that states that as we have suffered recurring losses from operations and a working capital deficiency, substantial doubt exists about our ability to continue as a going concern. Our consolidated financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should we be unable to continue as a going concern.

Our common stock is subject to penny stock regulation

The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in "penny stocks." Penny stocks generally are equity securities with a price of less than $5.00 per share (other than securities registered on certain national securities exchanges or quoted on the NASDAQ National Market System). Our common stock is considered penny stock. The penny stock rules require a

broker-dealer, before consummation of a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document prepared by the SEC that provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with bid and ask quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, and monthly account statements showing the market value of each penny stock held in the customer's account. In addition, the penny stock rules require that, before consummation of a transaction in a penny stock not otherwise exempt from such rules, the broker-dealer must make a special written determination that a penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements often have the effect of reducing the level of trading activity in any secondary market for a stock that becomes subject to the penny stock rules. Our stock is currently subject to the penny stock rules, and accordingly, investors may find it difficult to sell their shares.

We may issue additional shares in the future which would result in dilution to our existing stockholders

Our Certificate of Incorporation authorizes the issuance of 100,000,000 shares of common stock and 5,000,000 shares of preferred stock. Our Board of Directors have the authority to issue additional shares up to the authorized capital stated in the certificate of incorporation, subject to the regulatory requirements of the TSX Venture Exchange. Our Board of Directors may choose to issue some or all of such shares to acquire one or more businesses or other types of property, or to provide additional financing in the future. The issuance of any such shares may result in a reduction of the book value or market price of the outstanding shares of our common stock. If we do issue any such additional shares, such issuance also will cause a reduction in the proportionate ownership and voting power of all other stockholders. Further, any such issuance may result in a change of control of our corporation. Our Board of Directors has the authority to issue shares of preferred stock with such liquidation preferences, voting rights, dividend rights, conversion rights and other terms as the Board may determine, without approval of our shareholders. The rights and preferences of holders of any preferred stock we issue could make acquisition of the Company by a third party more difficult or costly and could operate to discourage or frustrate acquisition proposals.

We do not anticipate we will pay any dividends

We have never paid dividends on our common stock and do not anticipate paying any dividends in the foreseeable future. The declaration and payment of dividends are subject to the discretion of our Board of Directors. Any determination as to the payment of dividends in the future will depend upon results of operations, capital requirements, and restrictions in loan agreements, if any, and such other factors as our Board of Directors may deem

relevant.

Exercise of warrants and stock options may cause dilution to our stockholders

We have adopted a stock option plan. The total number of shares of common stock to be delivered on the exercise of all options granted under the plan may equal up to 20% of all outstanding shares of our common stock, including shares of common stock previously issued under the plan. We had options for 3,924,917 shares of common stock issued and outstanding as of August 15, 2002 (out of 6,903,379 issuable under the plan as of that date) at the following exercise prices:

Number of Shares(1)	Exercise Price ($)
2,887,500	0.17

20,000	0.21
15,000	0.22
155,000	0.23
25,000	0.24
30,000	0.25
150,000	0.31
10,000	0.33
105,000	0.35
397,000	0.38
1,667	0.40
143,750	1.00

(1) These numbers do not include options for 500,000 shares at an exercise price of $1.00 originally granted to Integrated Global Financial Corporation. Integrated Global has sued us for a declaration that the grant of 500,000 options is of unlimited duration. We believe the options have expired. See "Legal Proceedings."

As of August 15, 2002, we had warrants outstanding to acquire 7,202,338 shares of our common stock as follows:

Number of Shares	Exercise Price ($)
2,454,786 (1)	$0.35
4,247,552 (1)	$0.30
200,000	$0.38
300,000	$0.29

(1) On July 31, 2002, the exercise price of the above 6,702,338 un-exercised warrants were re-priced to Cdn$0.35 on the condition that warrant holders exercise their warrants within a 30 day period, otherwise the original warrant terms would prevail. As well, if the closing price of the Company's shares on the TSX venture Exchange or the NASD OTC-BB is Cdn$0.437 or greater for a period of 10 consecutive trading days, then the warrant holders must exercise their warrants within 30 days otherwise the warrants will expire of the 31st day.

The existence of options or warrants could adversely affect the market price of our common stock and impair our ability to raise additional capital through the sale of our equity securities or debt financing.

It is unlikely that options or warrants will be exercised unless the market price of our common stock exceeds the exercise price of the warrants or options. Accordingly, we cannot assure you that any of these warrants or options will be exercised. Exercise of any options or warrants will result in dilution of the proportional interests of our stockholders at the time of exercise, and, to the extent that the exercise price is less than the book value of the common stock at that time, dilution of the book value per share of the common stock.

Re-pricing of options and warrants may affect our results

We have modified the exercise price of options and warrants in the past and may do so in the future. Re-pricing of options has resulted in variable accounting treatment for our stock options plan and

as a result has impacted our quarterly results. Variable accounting treatment requires us to record an expense with respect to the re-priced stock options or warrants when our stock price increases and an compensation recovery when our stock price declines. Further re-pricing of options and warrants may further amplify the variation of our quarterly results as a result of variable accounting treatment of such options and warrants.

Industry and Market Trend

In general, starting in the first half of 2001, the telecom markets have softened and currently many wireless providers and equipment makers have significantly cut back staff and expectations. Planned deployment of new third generation networks has been delayed in almost all markets. Many countries have already sold or allocated the required frequency spectrum for third generation network deployment, and operators are caught in a difficult position having on the one hand enormous pressure to deploy equipment and make use of their expensive asset (the spectrum) and on the other hand enormous expense with an uncertain payback to build the network. Several countries have reduced the cost of the spectrum or offered other incentives for the operators to build the third generation network networks. This situation has caused some new technologies to be developed in an effort to reduce the cost of deploying third generation network. These include methods of reducing the amount of infrastructure investment (in particular the number of base stations and antennas) required to complete the minimum coverage footprints required. Although it remains to be seen which, if any, of these new technologies will be successful, they all appear to have the possibility of reducing capital costs of network operators to meet their third generation network coverage obligations and they all utilize the kind of repeater-style amplifiers that we specialize in. However, if conditions in the wireless telecommunications industry do not improve in the near term, the roll-out of third generation networks may be slowed or delayed indefinitely.

Risks and Uncertainties Related to Our Business and Operations

Lack of Prior Operations and Experience

We have a limited history of revenues from operations and have no significant tangible assets. We have yet to generate positive earnings and there

can be no assurance that we will ever operate profitably. Our business involves the development, manufacture and marketing of products, novel and otherwise, in the wireless communications industry. Future development and operating results will depend on many factors, including:

- the completion of developed products,
- levels of demand for our products,
- levels of product and price competition,
- the relative strength or weakness of the telecommunications industry,
- general economic trends,
- success in setting up and expanding distribution channels, and
- whether we can develop and market new products and control costs.

In addition, our future prospects must be considered in light of the risks, expenses and difficulties frequently encountered in establishing a new business in the technology industry, which is characterized by intense competition, rapid technological change, and significant regulation. We cannot assure you that our actual financial results will be consistent with our financial forecasts or that any positive trends will continue.

We depend on experienced management and key technical employees

We are a growing company dependent upon the services of our senior management team. The loss of the services of any one of these persons, or an inability to recruit and retain additional qualified personnel, could have a material adverse effect on our business. We have no plans at present to obtain key person life insurance for any of our officers and directors.

We are also dependent on highly qualified technical and engineering personnel. Although we have had success in recruiting these employees in today's competitive marketplace, there can be no assurance that this will continue which may put us at risk of being able to sustain and grow our business.

We face substantial competition

The wireless communications industry is characterized by rapidly evolving technology and intense competition. We may be at a disadvantage to other companies having larger technical staffs, established market shares and greater financial and operational resources. Some competitors have achieved greater brand recognition and technologies than we currently enjoy. We may not be able to successfully compete. Our competitors may succeed in developing products or competing technologies that are more effective or more effectively marketed than products marketed by us, or that render our technology obsolete. Earlier and larger entrants into the market often obtain and maintain significant market share relative to later entrants. We believe that an increasing number of products in the market and the desire of other companies to obtain market share will result in increased price competition. Price reductions by us in response to competitive pressure or our desire to also successfully increase market penetration or market share could have a material, adverse effect on our business, financial condition, and results of operations.

We experience significant fluctuations in revenues and results on a quarterly basis

Our revenues and operating results experience fluctuations from one quarter to the next due to among other things:

- customers changing delivery schedules or canceling orders,
- long sales cycle,
- availability of component parts,
- competitive pressures on sales prices and discounts,
- delays in product development and redesign of customer specifications,
- mix of products with varying gross margins,
- management of our variable accounting and non-cash compensation expenses, and

- fixed expenses and warranty expenses.

Our customers also provide us with varying order sizes, short lead times, tight delivery time requests and even change their orders on short notice.

We have experienced these fluctuations in the past and may continue to do so in the future. As a result, our historical results are not a reliable indicator of our future results.

We depend on protection of our proprietary technology

Our success will depend in part on our ability to preserve and protect trade secrets and any proprietary technology, and to operate without infringing upon the patents or proprietary rights of third parties in both the United States and other countries. We may inadvertently fail to do so and consequently could face infringement claims that could be costly and thus adversely affect our business.

We do not own any patents in connection with our products or technologies and depend entirely on trade secrets, confidentiality agreements and continual improvement to our products to protect our proprietary technology. We have applied for patent protection for certain technologies we have developed and we have filed applications for trademark protection in the U.S. and Canada. However, there can be no assurance that our efforts to protect our proprietary technology will be effective and failure to protect such technology could have a material adverse effect on our results of operation and financial condition.

Disputes related to our intellectual property may adversely impact our business

While we are not aware of any disputes with respect to any of our intellectual property and we are not currently involved in any litigation respecting our intellectual property, there can be no assurances that we will avoid such disputes in the future. The use of trade marks, service marks, trade names, slogans, phrases and other expressions in the course of our business and our subsidiary may be the subject of dispute and possible litigation. We may

have to defend ourselves from infringement claims by others. Such litigation is expensive and time-consuming, and can be used by well-funded adversaries as a strategy for depleting the resources of a small enterprise. This could also affect our competitive position. There is no assurance that we will have sufficient resources to successfully protect our interests in any litigation that may be brought. There can be no assurance that we or our subsidiary will be able to continue to use our current trade names and marks. Any changes could result in confusion to potential customers and loss of valuable name recognition and negatively affect our business and our financial condition.

We have limited manufacturing capacity

We currently assemble, tune and test our products in our manufacturing facility located in Burnaby, British Columbia. Current models of our products are required to be individually assembled, tuned and tested to meet the specifications of the end-user. This process is time consuming and labor intensive and our ability to increase manufacturing output is limited by the size of our facilities and our ability to hire, train and retain qualified personnel. On August 1, 2002, we announced that we have selected Burnaby, British Columbia based contract electronics manufacturer Creation Technologies Inc. for volume production of our power amplifiers. We expect to start outsourcing our larger orders during the third quarter of 2002. This is expected to allow us to take advantage of better purchasing power, reduce our inventory levels and ensure that a consistent quality product is delivered on time. However, we may not be able to effectively control quality of outsourced products. In addition, the loss of such an outsourcing relationship could have a material adverse effect on our business, financial condition and

results of operations and there can be no assurances that we will be able to find another manufacturer on a timely basis necessary to fill orders or at all.

In the future, we may be required to out source additional manufacturing or expand our facility, hire additional personnel and automate the assembly, tuning and/or testing process to increase our manufacturing capacity in order to meet future demand for our products. Such expansion will require additional capital investments and allocation of resources, which may affect our results of operations. We cannot assure you that adequate resources will be available or that we will be able to increase our manufacturing capacity in a timely manner, if at all. Our inability to meet the demand for our products would have an adverse effect on our business and our results of operations.

We depend on suppliers and other third parties

We are a small enterprise and have yet to establish substantial internal management, personnel and other resources. We depend substantially upon third parties for several critical elements of our business including, among other things, promotion and marketing, technology and infrastructure development and distribution activities. We also depend substantially upon third party sales agents. A substantial portion of our high power radio frequency amplifier revenues to date have been derived through a single South Korean sales agent. Historically, we have generated approximately 90% of our revenues from the Korean market. During the second quarter of 2002, the Korean market contributed less than 10% of our revenues, while sales to new customers in United States, China, Israel and Sweden increased. We anticipate that this trend will continue during the second half of 2002 and beyond. The loss of any of these resources could have a material adverse effect on our business, financial condition and results of operations.

We rely on outside suppliers for some components and the assembly of some portions of our products. There can be no assurance that component parts, materials or services obtained from outside suppliers will continue to be available in adequate quantities or on adequate terms. The inability to obtain sufficient quantities of such materials, parts or services at reasonable cost could have a material adverse effect on our business, financial condition and results of operations.

Our success will depend upon future strategic partnerships

The successful execution of our business strategy is partially dependent upon enlisting a number of strategic partners regionally, nationally and globally to assist in a focused marketing effort and to provide financial strength. There is no assurance that we will continue to be successful in developing such strategic partnerships on a timely basis or in developing enough strategic partnerships to successfully market our technologies and products globally or in a volume sufficient to sustain our operations.

We depend on telecommunication system providers to accept our technology and products

There can be no assurance that our existing technologies will be incorporated into products, or that products based on our technologies will be marketed successfully. In addition, there can be no assurance that our technologies will be adopted widely as industry standards, even if products based on its technologies have been introduced successfully to the marketplace.

The markets for our technologies and products have only recently begun to develop. As is typical in the case of a new and rapidly evolving industry, demand and market acceptance for recently introduced products and services are subject to a high level of uncertainty and risk. Because the markets for our technologies and products are new and/or evolving, it is difficult to predict the future growth rate, if any, and size of these markets. There is no assurance that the markets for our technologies and products will

emerge or become or remain sustainable. If the markets fail to develop, develop more slowly than expected or become saturated with competitors, or if our technologies and products do not achieve or sustain market acceptance, our business, results of operations and financial condition will be materially and adversely affected.

There are risks and uncertainties related to our development of new products

We have only recently released additional commercial versions of some of our technologies and products. Additional efforts and expenditures to enhance their capabilities are critical to commercial viability. We invest heavily in the research and development of new products and we cannot assure you that the new products we develop will be commercially viable or that a sufficient demand will develop for such products. If markets do not accept our products in sufficient numbers to offset costs of developing and marketing such products, our results of operation and financial condition will be materially and adversely affected.

Product warranty risks and uncertainties

Our products are relatively new to their respective markets and lack extensive field operating experience. While we have tested our products for failure in certain circumstances, there can be no assurance that our products will continue to operate satisfactorily after sustained field use. If a substantial number of products are returned and accepted for warranty replacement, the cost to us could have a material adverse effect on our business and financial condition.

Potential product liability related to our Sonem products

In the past, we sold emergency traffic preemption devices of our Sonem division (which we sold in October 2000) that are installed at traffic intersections. Also, we have sold some of our UniLinx(TM) devices (we sold the UniLinx in June 2001) for use with traffic control equipment located at intersections. If any of these products fail to perform properly, significant personal injury, property damage or death could arise from traffic accidents resulting from such failure. Although we maintain product liability insurance, there is no assurance that the amount of coverage will be sufficient in the event of a claim, that the actual claim would be covered by our insurance, or that coverage will continue to be available to us on reasonable terms and conditions or at all.

Risks and uncertainties related to failure to maintain technological advantages and risks of obsolescence

We are dependent upon what we perceive as the technological advantages of our products and the ability to maintain trade secret protection for our products. There can be no assurance that we will be able to obtain or maintain such advantages; failure to do so would have substantial adverse consequences to our business.

Technological obsolescence of our technologies and products remains a possibility. There is no assurance that our competitors will not succeed in developing related products using similar processes and marketing strategies before us, or that they will not develop technologies and products that are more effective than any which have been or are being developed by us. Accordingly, our ability to compete will be dependent on timely enhancement and development of our technologies and products, as well as the development and enhancement of future products. There is no assurance that we will be able to keep pace with technological developments or that our products will not become obsolete.

We face risks and uncertainties of foreign currency exposure

Our functional currency is the Canadian dollar, which means that most of our operations are undertaken in Canadian dollars. We are exposed to fluctuations in the US dollar relative to the Canadian dollar, because we collect revenues in US dollars. As we expand our operations, we may begin to collect revenues from customers in currencies other than the US or Canadian dollar. We do not currently engage in any hedging activities.

SELLING STOCKHOLDERS

This prospectus covers the offering of shares of common stock by selling stockholders, and the sale of common stock by us to certain warrant holders upon the exercise of their warrants. This prospectus is part of a registration statement filed in order to register, on behalf of the selling stockholders and us, a total of 15,514,974 shares of common stock as follows:

- 5,147,551 shares of common stock issued to investors on December 24, 2001 in a private placement of units, each unit consisting of one share of common stock and one warrant;

- a total of 4,247,552 shares of common stock issuable by us upon the exercise of outstanding warrants issued on December 24, 2001 in the unit private placement;

- 2,317,857 shares of common stock issued to investors on May 14, 2002 in a private placement of units, each unit consisting of one share of common stock and one warrant;

- a total of 2,454,786 shares of common stock issuable by us upon the exercise of outstanding warrants issued on May 14, 2002 in the unit private placement;

- 847,228 shares of common stock issued to investors pursuant to the acquisition of Ultratech Linear Solutions, Inc.;

- shares issued to consultants and shares purchased by investors in various private transactions named in previously filed registration statements;

- 250,000 shares of common stock issuable to Mueller & Company, Inc. upon the exercise of warrants issued under a consulting agreement, as amended November 15, 2001; and

- 250,000 shares of common stock issuable to Ideas Inc. upon the exercise of warrants issued. under a consulting agreement, as amended by a letter dated November 13, 2001.

The shares issued to the selling stockholders are "restricted" shares under applicable federal and state securities laws and are being registered to give the selling stockholders the opportunity to sell their shares. The registration of such shares does not necessarily mean, however, that any of these shares will be offered or sold by the selling stockholders. The selling stockholders may from time to time offer and sell all or a portion of their shares in the over-the-counter market, in negotiated transactions, or otherwise, at prices then prevailing or related to the then current market price or at negotiated prices.

The registered shares may be sold directly or through brokers or dealers, or in a distribution by one or more underwriters on a firm commitment or best efforts basis. To the extent required, the names of any agent or broker-dealer and applicable commissions or discounts and any other required information with respect to any particular offer will be set forth in an accompanying Prospectus Supplement. See "Plan of Distribution." Each of the selling stockholders reserves the sole right to accept or reject, in whole or in part, any proposed purchase of the registered shares to be made directly or through agents. The selling stockholders and any agents or broker-dealers that participate with the selling stockholders in

the distribution of registered shares may be deemed to be "underwriters" within the meaning of the Securities Act of 1933, as amended (the "Securities Act"), and any commissions received by them and any profit on the resale of the registered shares may be deemed to be underwriting commissions or discounts under the Securities Act.

We will receive no proceeds from the sale of the registered shares, and we have agreed to bear the expenses of registration of the shares, other than commissions and discounts of agents or broker-dealers and transfer taxes, if any.

We will sell the warrant shares to the holders of the above-described warrants if and when they choose to exercise them. If this (or any subsequent) registration statement is then in effect, once the warrant holders have exercised their warrants, they will be free to re-sell the stock they receive at such time or times as they may choose, just as any purchaser of stock in the open market is allowed to do. We do not know how much, if any, of such stock these investors will hold or re-sell upon exercise of their warrants.

The foregoing summary of the warrant terms is qualified in its entirety by the full terms of the applicable warrant agreements, a sample form of which is incorporated by reference in this Prospectus as an exhibit to the registration statement.

Selling stockholders who acquired their shares through private placements

The following is a list of the selling stockholders who own or have the right to acquire 15,514,974 of the registered shares, including 8,312,636 shares of common stock acquired in private placements, acquisitions & private transactions and 7,202,338 which are acquirable upon the exercise of warrants. Some of these selling stockholders hold or have held a position, office or any other material relationship with us or our predecessors or affiliates within the past three years. See "Directors, Executive Officers, Promoters, and Control Persons." At August 15, 2002, we had 34,516,894 shares of common stock issued and outstanding.

Name of selling stockholder	Number of Shares of Common Stock Owned on August 15, 2002	Number of Shares Acquirable Upon Exercise of Warrants	Total Number of Shares of Common Stock Beneficially Owned		Total of Sha Common to Offer Secu Hold Acc
			Amount	%	
324168 AB Ltd.	159,086	57,086	216,172 (b)		1
3OE Enterprises Inc(1)	65,000(8)		65,000 (b)		
Abraham Muller	19,857	17,857	37,714 (b)		
Alan Gelfand	35,713	35,713	71,426 (b)		
Albert Betar	130,000	100,000	230,000 (b)		2
Ben Rosenblum	91,269(10)	91,269(11)	182,538 (b)		1
Beth Medrash Govohah of America	333,333	333,333(11)	666,666	2%	6

Chris Neumann	117,262(8)	-	225,596(a) (b)		1
Clayton Duxbury	132,386	57,086	189,472 (b)		1
David Zajac	53,571	53,571	107,142 (b)		1
Doug Stewart	25,000(9)	-	25,000 (b)		
Ezra Schnapp	285,714	285,714	571,428	2%	5
Friendly Trend Fund Inc.	97,086	57,086	154,172 (b)		1
Halkin Management Ltd. FBO Ilan Kenig(2)	416,667(10)	255,608(11)	711,858(a)	2%	6
Holger Spielberg	27,500(8)	-	27,500 (b)		
Hugh Notman	645,000(10)	395,680(11)	1,040,680	3%	1,0
James Carruthers	31,000(8)	-	81,000(a) (b)		
James Fletcher	507,500(10)	345,000(11)	852,500	3%	6
Jeffery Rubin	222,697(10)	162,697(11)	385,394	1%	3
John Leslie	721,822(10)	521,822(11)	1,243,644	4%	1,0
John MacBain	43,706(8)	-	43,706 (b)		
John Robertson(3)	203,315(8)	-	203,315 (b)		2
Jon Gahre	53,000	30,000	83,000 (b)		
Jong Kil Kim(4)	50,000(8)	-	50,000 (b)		

Name of selling stockholder	Number of Shares of Common Stock Owned on August 15, 2002	Number of Shares Acquirable Upon Exercise of Warrants	Total Number of Shares of Common Stock Beneficially Owned		Total of Sha Common to Offer Secu Hold Acc
			Amount	%	
Ken Coward	107,086	57,086	164,172 (b)		1
Keren MYCB Elias Foundation Inc.	352,629(10)	272,818(11)	625,447	2%	5
Louise Blouin	43,706(8)	-	43,706 (b)		
Mark Godsy(5)	3,252,079(8)(10)	562,337(11)	3,966,916(a)	11%	1,5

Mark Hammerstone	36,508(10)	36,508(11)	73,016	(b)	
Michael Hammerstone	80,158(10)	80,158(11)	160,316	(b)	1
Mirza Kassam	144,198(8)	-	144,198	(b)	1
Morten Borch	597,143	97,143	694,286	2%	1
Murray Weitman	74,603(10)	74,603(11)	149,206	(b)	1
Nochum Barnetsky	8,929	8,929	17,858	(b)	
Ole Nyflot	50,000	30,000	80,000	(b)	
Patrick Robinson	446,112(10)	361,112(11)	807,224	2%	7
Pemo AS	110,000	40,000	150,000	(b)	
Pergola AS	120,000	40,000	160,000	(b)	
Peter A Scott Consulting Ltd	26,250(8)	-	26,250	(b)	
Rachel Mendelovitz	183,333(10)	183,333(11)	366,666	1%	3
Robert Fetherstonhaugh	82,363(8)	-	82,363	(b)	
Robert Millham	35,713	35,713	71,426	(b)	
Robert W Singer(6)	25,000	-	62,500	(a) (b)	
Roland Sartorius(7)	350,000(10)	214,710(11)	870,127	(a) 3%	5
Salvatore Amato	71,775	71,775	143,550	(b)	1
Shalom Torah Centers	292,857	267,857	560,714	2%	5
Sondre Invest AS	514,000	80,000	594,000	2%	1
Van Wyck Window Fashions Inc.	242,857(10)	242,857(11)	485,714	1%	4
Wayne Gambell	1,206,434(10)	833,234(11)	2,039,668	6%	1,6

Name of selling stockholder	Number of Shares of Common Stock Owned on August 15, 2002	Number of Shares Acquirable Upon Exercise of Warrants	Total Number of Shares of Common Stock Beneficially Owned		Total of Sha Common to Offer Secu Hold Acc
			Amount	%	
Wayne Saker	135,714	135,714	271,428	(b)	271

Wimo Invest AS	90,000	40,000	130,000	(b)	80
Canaccord Capital Corporation	-	20,550	20,550	(b)	20
John Anderson	-	21,429	21,429	(b)	21
Liz Biderman	-	17,143	17,143	(b)	17
Mueller & Company Inc.	-	75,664	75,664	(b)	75
Wolverton Securities Ltd.	-	2,143	2,143	(b)	2
Ideas Inc.	-	250,000(12)	250,000	(b)	250
Mueller & Company Inc.	-	250,000(12)(13)	250,000	(b)	250
TOTAL		7,202,338			15,514

(a) Includes shares of common stock acquirable upon exercise of Warrants by the selling stockholder and options exercisable to acquire common stock within 60 days of August 15, 2002. See "Security Ownership of Certain Beneficial Owners and Management" for additional information regarding warrants and options held by management.
(b) Less than 1%.
(c) Assuming all shares registered for the benefit of the selling stockholder are sold.
(1) Includes 40,000 shares owned directly or indirectly by Norm Dowds, the principal of 3OE Enterprises.
(2) Mr. Kenig is our President and a Director.
(3) Mr. Robertson resigned as our President, Chief Executive Officer effective March 31, 2002 and as a Director of the Company on June 13, 2002.
(4) Mr. Kim is a sales agent for the Company responsible for sales in Korea.
(5) Mr. Godsy is our Chairman and a Director.
(6) Mr. Singer is a Director of the Company.
(7) Mr. Sartorius is our Chief Financial Officer
(8) Includes shares that were previously registered on a registration statement on Form SB-2/A filed with the Securities and Exchange Commission on October 18, 2001.

(9) Includes shares that were previously registered on a registration statement on Form SB-2 filed with the Securities and Exchange Commission May 3, 2001.

(10) Includes shares that were previously registered on a registration statement on Form SB-2 filed with the Securities and Exchange Commission February 15, 2002.

(11) Includes shares issuable upon exercise of warrants that are registered on a registration statement on Form SB-2 filed with the Securities and Exchange Commission on February 15, 2002.

(12) Including 100,000 shares issuable upon exercise of warrants registered

on a registration statement on Form SB-2/A filed on May 3, 2001, and 200,000 shares issuable upon exercise of warrants registered on a registration statement on Form SB-2/A filed on October 18, 2001.

(13) 100,000 shares are acquirable by Mueller upon the exercise of warrants at $0.38 per share, 90,628 of which are fully vested and the balance of which vest quarterly beginning September 30, 2002; and 150,000 shares are acquirable by Mueller upon the exercise of warrants at $0.29 per share, of which 62,500 are fully vested and the balance of which vest quarterly beginning September 30, 2002.

PLAN OF DISTRIBUTION

We are registering the shares on behalf of the selling stockholders. When we refer to selling stockholders, we intend to include donees and pledgees selling shares received from a named selling stockholder after the date of this prospectus. All costs, expenses and fees in connection with the registration of the shares offered under this registration statement will be borne by us. Brokerage commissions and similar selling expenses, if any, attributable to the sale of shares will be borne by the selling stockholders. Sales of shares may be effected by the selling stockholders from time to time in one or more types of transactions (which may include block transactions) on the over-the-counter market, in negotiated transactions, through put or call options transactions relating to the shares, through short sales of shares, or a combination of such methods of sale, at market prices prevailing at the time of sale, or at negotiated prices. Such transactions may or may not involve brokers or dealers. The selling stockholders have advised us that they have not entered into any agreements, understandings or arrangements with any underwriters or broker-dealers regarding the sale of their securities, nor is there an underwriter or coordinating broker acting in connection with the proposed sale of shares by the selling stockholders.

The selling stockholders may effect such transactions by selling shares directly to purchasers or to or through broker-dealers, which may act as agents or principals. Such broker-dealers may receive compensation in the form of discounts, concessions, or commissions from the selling stockholders and/or purchasers of shares for whom such broker-dealers may act as agents or to whom they sell as principal, or both (which compensation as to a particular broker-dealer might be in excess of customary commissions).

The selling stockholders and any broker-dealers that act in connection with the sale of shares might be deemed to be "underwriters" within the meaning of Section 2(11) of the Securities Act, and any commissions received by such broker-dealers and any profit on the resale of shares sold by them while acting as principals might be deemed to be underwriting discounts or commissions under the Securities Act. We have agreed to indemnify the selling stockholders against some liabilities arising under the Securities Act.

The selling stockholders may agree to indemnify any agent, dealer or broker-dealer that participates in transactions involving sales of the shares against some liabilities arising under the Securities Act.

Because the selling stockholders may be deemed to be "underwriters" within the meaning of Section 2(11) of the Securities Act, the selling stockholders will be subject to the prospectus delivery requirements of

the Securities Act. We have informed the selling stockholders that the

anti-manipulative provisions of Regulation M promulgated under the Exchange Act may apply to their sales in the market.

Selling stockholders also may resell all or a portion of the shares in open market transactions in reliance upon Rule 144 under the Securities Act, provided they meets the criteria and conform to the requirements of such Rule.

Upon being notified by any selling stockholder that any material arrangement has been entered into with a broker-dealer for the sale of shares through a block trade, special offering, exchange distribution or secondary distribution or a purchase by a broker or dealer, we will file a supplement to this prospectus, if required, under Rule 424(b) of the Act, disclosing:

- the name of each selling stockholder(s) and of the participating broker-dealer(s),
- the number of shares involved,
- the price at which the shares were sold,
- the commissions paid or discounts or concessions allowed to the broker-dealer(s), where applicable,
- that the broker-dealer(s) did not conduct any investigation to verify information set out or incorporated by reference in this prospectus; and
- other facts material to the transaction.

In addition, upon being notified by any selling stockholder that a donee or pledgee intends to sell more than 500 shares, we will file a supplement to this prospectus.

LEGAL PROCEEDINGS

We, along with Sonic Systems Corporation and M&M Realty Incorporated, have been sued in the Supreme Court of British Columbia, Canada, by Integrated Global Financial Corporation. The action is dated January 5, 2001. Integrated Global alleges it has options to purchase 500,000 shares at an alleged exercise price of $1.00 per share, plus unspecified damages. We dispute the allegations and are defending the claim vigorously. No trial date has been set. No Examinations for Discovery have been conducted or are set down. The matter is at a very preliminary stage. It is our view that the claim has little, if any, merit and we do not expect the proceeding to have any material adverse effect on us. It is our position that these options have expired and we have not included such options in our outstanding options at August 15, 2002.

We have filed a lawsuit against Cobratech Industries Inc. in the Supreme Court of British Columbia, Canada, to recover $88,000 owed to us by Cobratech. The action is dated October 24, 2001. We made a bridge loan of $200,000 to Cobratech in November 2000, secured by a security interest in all of the personal and real property of Cobratech. The obligation was evidenced by a promissory note bearing interest at the rate of 1% per month. Cobratech owes us approximately $85,600, including principal and accrued, but unpaid interest, under the note. We have reached a tentative settlement arrangement with Cobratech whereby Cobratech would satisfy the obligation by converting the debt into shares of its parent's, CTI Diversified Holdings Inc., shares at a conversion price determined by the average of the bid and ask price of CTI Diversified Holdings Inc. shares as quoted on the NASD OTC BB

on the day immediately before conversion. There can be no assurances that the settlement will be finalized, or that we will realize any cash value from any shares of CTI Diversified Holdings Inc. we receive pursuant to the settlement. For financial reporting purposes, we have already set up a provision for the full amount owing against income in 2001 for the possibility of non-repayment. See "Certain Relationships and Related Transactions" below for further details.

DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS

Our directors, executive officers, and significant employees and the significant employees of our subsidiary, Unity Wireless Systems Corporation (Unity Wireless Systems Corporation), are as follows:

NAME	POSITION	APPOINTMENT
Mark Godsy	Director and Chairman of Board of Directors	February 22
	Director and Chairman of Board of Directors of Unity Wireless Systems Corporation	
Ilan Kenig	President	April 1, 20
	President and Director of Unity Wireless Systems Corporation	
	Director	June 17, 20
Roland Sartorius	Chief Financial Officer and Secretary	August 15,
	Chief Financial Officer and Secretary of Unity Wireless Systems Corporation	
Thomas Dodd	Senior Vice President	February 22
	Senior Vice President of Unity Wireless Systems Corporation	
Ken Maddison	Director	October 29,
Robert W. Singer	Director	June 22, 20
Brian Nixon	Director and Vice Chairman	July 11, 20
Doron Nevo	Director	July 11, 20

Mark Godsy - Age 47. Mr. Godsy is a Director and the Chairman of the Board of Directors of Unity Wireless and Unity Wireless Systems Corporation. He previously served as a Director and the Chairman of the Board of Directors of Unity Wireless Systems Corporation from May 1993 to November 1998, and as the Secretary of Unity Wireless Systems Corporation from May 1993 to July 1995, and from May 1997 to November 1998. Mr. Godsy was also the Chief Executive Officer from February 2000 until November 17, 2000. His term as a Director of Unity Wireless runs until the next annual meeting of the stockholders unless earlier terminated. Mr. Godsy is an experienced entrepreneur working in the areas of corporate development and venture capital. He practiced law for approximately five years before entering business and co-founding two successful companies, ID Biomedical Corporation and Angiotech Pharmaceuticals Ltd., both of which are leading Canadian biotechnology firms. Mr. Godsy's responsibilities included building executive management teams, coordinating corporate finance activities and strategic positioning. Mr. Godsy is a graduate of the University of British Columbia and received his law degree from McGill University. He is currently a member of the Law Society of British Columbia.

Ilan Kenig - Age 42. Mr. Kenig is a Director of Unity Wireless and our Company's President. His term as a Director of Unity Wireless runs until the

next annual meeting of the stockholders unless earlier terminated. Mr. Kenig has over 17 years of legal, venture capital and investment banking experience on Wall Street with specific emphasis in the technology and telecommunications arena. Mr. Kenig, with his experience in international business activities, corporate mergers and acquisitions, joined the Company as Vice President of Business Development in December 2001 before assuming the position of President in April 2002. Prior to pursuing international finance activities in New York, Mr. Kenig was a founder of a successful law firm in Tel-Aviv representing mostly technology and telecommunications interests. Mr. Kenig holds a law degree from Bar-Ilan University

Roland Sartorius - Age 49. Mr. Sartorius is the Chief Financial Officer and Secretary of Unity Wireless and of Unity Wireless Systems Corporation. Mr. Sartorius has over 12 years experience in the position of Chief Financial Officer in several public and private multinational entities. Most recently, he was based in Switzerland and held the same position with a private equity/venture capital firm managing several equity funds, with investments in various European and North American technological/industrial companies. His focus has been in the areas of corporate finance, strategic planning, financial reporting and controls, international tax planning, compliance and investor/stockholder relations. From 1981 to 1988, Mr. Sartorius was employed with KPMG, initially as an auditor and subsequently as a Management Consultant in Corporate Finance. Mr. Sartorius, a Certified General Accountant, holds a Bachelor of Commerce & Business Administration degree from the University of British Columbia. He currently serves and has previously served on boards of directors for a variety of private companies.

Thomas Dodd - Age 51. Mr. Dodd is Senior Vice President of Unity Wireless and of Unity Wireless Systems Corporation. Mr. Dodd is a senior marketer/manager with over 25 years experience as an end user, original equipment manufacturer, consultant, and manufacturer, in roles ranging from field technical support to executive management. He has held senior executive positions with Dynapro Systems Inc. and Campbell Technologies with primary responsibilities in sales and marketing. .

Ken Maddison - Age 61. Mr. Maddison is a Director of Unity Wireless . His term runs until the next annual meeting of the stockholders unless earlier terminated. Mr. Maddison, a Chartered Accountant since 1966 and elected a Fellow of the Institute of Chartered Accountants of British Columbia in 1975, retired in August 1997 after a lengthy career as a partner with the accounting firm KPMG. In public practice over the past 32 years, Mr. Maddison provided auditing, accounting and business advisory services to a wide range of clients in the hospitality, real estate, construction, non-profit and insurance industries. Mr. Maddison currently serves on the boards of International Wayside Gold Mines Ltd., Island Mountain Gold Mines Ltd., Northern Continental Resources Inc., Northern Hemisphere Development Inc. and Golden Cariboo Resources Ltd.

Robert W. Singer - Age 54. Senator Singer is a director of Unity Wireless. Senator Singer is a New Jersey state senator and serves within the Senate leadership circle as Assistant Majority Leader. Senator Singer is also Vice-Chairman of the Senate Commerce Committee and a member of the Senate Health Committee. In his former duties as an elected representative in the Upper House, Senator Singer was Chairman of the Senate Senior Citizens, Veterans Affairs and Agriculture Committee and was Vice-Chairman of the Senate Environment Committee, and had been appointed to chair the Joint Legislative Biotechnology Task Force and the Software Task Committee. Senator Singer is presently Chairman of the Senate Task Force on Science and Technology, which was established in 2001. On a national level, Senator Singer was also appointed as a member of the Health Committee of the Assembly on Federal Issues of the National Conference of State Legislatures. Members of the Assembly on Federal Issues meet with federal officials and play a key role in developing recommendations on a wide range of national issues that affect state-federal relations. Senator Robert Singer has

distinguished himself among his national peers through his recognition and understanding of high technology industries, particularly

biotechnology and the economic development, health care, agricultural and environmental benefits this industry offers his state and the nation. The Senator has also been honored at the national and state level for his leadership and support in promoting the biotechnology industry. Senator Singer currently serves on the boards of Brocker Technology Group and Healthchoice Incorporated.

Brian Nixon - Age 47. Mr. Nixon is a Director and Vice Chairman of Unity Wireless. His term runs until the next annual meeting of the stockholders unless earlier terminated. Mr. Nixon brings over 20 years of corporate and entrepreneurial leadership experience to the Board of Unity Wireless. Most recently he was Senior Vice President, Business Solutions with BCE Media Inc. In this position, Mr. Nixon was responsible for the development of Business Television and Interactive e-Learning services in Canada. He also continued as the President of Infosat Communications, Inc., a position held since 1993 and was appointed Chairman of the Board of Directors of Vistar Telecommunications Inc. an Ottawa based high technology company controlled by BCE Media Inc. Vistar was restructured an subsequently divested resulting in a substantial return on investment. Prior, he was Vice President of Finance with an Oil & Gas Company that specialized in asset management and divestiture. Previous positions included responsibility for distribution and business development of the Canadian market for a large, multi-national US corporation. In addition to holding the Certified Management Accountant designation, Mr. Nixon has an MBA from the University of Calgary.

Doron Nevo - Age 47. Mr. Nevo is a Director of Unity Wireless. His term runs until the next annual meeting of the stockholders unless earlier terminated. Mr. Nevo brings more than 20 years of business experience in high technology and telecommunications companies to the Board of Unity Wireless. Currently, Mr. Nevo is President and CEO of KiloLambda Technologies, Ltd. an optical subsystems company he founded in early 2001. Prior to Kilolambda, Mr. Nevo was President and CEO of NKO, Inc. a company he founded that designed and developed a carrier grade IP Telephony system platform and established its own IP network. Mr. Nevo was also President and CEO of Clalcom Ltd., an international telecommunications service provider in Israel which he founded in 1992. Prior to Clalcom, he held various positions with Sprint International Inc. He also serves on the board of a number of companies including Audiocodes, Ltd (NasdaqNM: AUDC), Elcom Technologies (a manufacturer of Satcom and Digital Radio synthesizers), Notox, Ltd. (a biotech company) and Cellaris, Ltd. (a new materials company). Mr. Nevo received a B.Sc. in Electrical Engineering from the Technion and an M.Sc. in Telecommunications Management from Brooklyn Polytechnic.

Our directors are elected at the annual meeting of the stockholders and serve until their successors are elected and qualified, or their earlier resignation or removal. Officers are appointed by our Board of Directors and serve at the discretion of the Board of Directors or until their earlier resignation or removal.

There are no family relationships among our directors or executive officers.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial

ownership of shares of our common stock as of August 15, 2002 by

- each person who is known by us to beneficially own more than 5% of our issued and outstanding shares of common stock;
- our chief executive officer and our two former chief executive officers during our last fiscal year, individually named in the executive compensation table below;
- our directors; and

- all of our executive officers and directors as a group.

Unless otherwise indicated, the persons named below have sole voting and investment power with respect to all shares beneficially owned by them, subject to community property laws where applicable. As of August 15, 2002, there were 34,516,894 of our shares of common stock issued and outstanding. To the best of our knowledge, there exist no arrangements that could cause a change in voting control of our corporation.

TITLE OF CLASS	NAME AND ADDRESS OF OWNER	RELATIONSHIP TO COMPANY	SHARES BENEFICIALLY OWNED
Common Stock	Mark Godsy 7575 Carnarvon Street Vancouver, B.C. V6N 1K6	Chairman, Director, 5% Stockholder and Past CEO (February 22, 2000 - November 17, 2000)	3,966,916
Common Stock	Ilan Kenig 1859 Spyglass Place,#201 Vancouver, B.C. V5Z 4K6	Director and President	736,858
Common Stock	Brian Nixon 1742 Hampton Drive Coquitlam, BC V3E 3E1	Vice-Chairman, Director	17,500
Common Stock	Doron Nevo 15 Yakov Hazan Raanana, Israel 43563	Director	6,667
Common Stock	Ken Maddison 2591 Lund Avenue Coquitlam, B.C. V3K 6J8	Director	84,375
Common Stock	Robert W. Singer 2110 West County Line Road Jackson, NJ 08527	Director	62,500
Common Stock	John Robertson #203 - 728 Farrow Street Coquitlam, B.C. V3J 3S6	Past Director (November 17, 2000 - June 17, 2002) and Past CEO (November 17, 2000 - March 31, 2002)	203,315

TITLE OF CLASS	NAME AND ADDRESS OF OWNER	RELATIONSHIP TO COMPANY	SHARES BENEFICIALLY OWNED
Common Stock	H. William Brogdon 1817 Sleepy Hollow Lane Petaluma, CA 94954	Past CEO (February 1999 to February 22, 2000)	550,000
Common Stock	Wayne Gambell 1040 Memorial Dr., NW Calgary, AB T2N 3E1	5% Beneficial Owner	2,039,668
Common Stock	All directors and executive officers as a group (10 individuals)		6,791,175(1)

(1) Includes the following numbers of shares of common stock (total of 1,974,114 shares) that may be acquired by the exercise of stock options or warrants that are now exercisable or will become exercisable within 60 days of August 15, 2002:

Mark Godsy - 714,837 shares, including 562,337 shares acquirable upon exercise of warrants and 152,500 shares exercisable upon the exercise of options.
Ilan Kenig - 295,191 shares, including 255,608 shares acquirable upon the exercise of warrants and 39,583 shares acquirable upon the exercise of options.
Brian Nixon -17,500 shares acquirable upon the exercise of options.
Doron Nevo - 6,667 shares acquirable upon the exercise of options.
Ken Maddison - 84,375 shares acquirable upon the exercise of options.
Robert Singer - 37,500 shares acquirable upon the exercise of options.
Wayne Gambell - 833,234 shares acquirable upon the exercise of warrants.

DESCRIPTION OF SECURITIES

General Provisions of Common Stock

All outstanding shares of our common stock are duly authorized, validly issued, fully paid and non-assessable. Upon liquidation, dissolution or winding up of the corporation, the holders of common stock are entitled to share ratably in all net assets available for distribution to stockholders after payment to creditors. The common stock is not convertible or redeemable and has no preemptive, subscription or conversion rights.

Each outstanding share of common stock is entitled to one vote on all matters submitted to a vote of stockholders. There are no cumulative voting rights.

The holders of outstanding shares of common stock are entitled to receive dividends out of assets legally available therefore at such times and in such amounts as our Board of Directors may from time to time determine. Holders of common stock will share equally on a per share basis in any dividend declared by the Board of Directors. We have not paid any dividends on our common stock and do not anticipate paying any cash dividends on such stock in the foreseeable future.

In the event of a merger or consolidation, all holders of common stock will be entitled to receive the same per share consideration.

General Provisions of Preferred Stock

Our Board of Directors is authorized by the Certificate of Incorporation of the Company to issue up to 5,000,000 shares of preferred stock on such terms as the Board may determine. No such stock has been issued to date. The preferred shares could, in certain instances, render more difficult or discourage a merger, tender offer, or proxy contest and thus potentially have an "anti-takeover" effect, especially if preferred shares were issued in response to a potential takeover. In addition, issuances of authorized preferred shares can be implemented, and have been implemented by some companies in recent years, with voting or conversion privileges intended to make acquisition of the corporation more difficult or more costly. Such an issuance could deter the types of transactions which may be proposed or could discourage or limit the stockholders' participation in certain types of transactions that might be proposed (such as a tender offer), whether or not such transactions were favored by the majority of the stockholders, and could enhance the ability of officers and directors to retain their positions.

THE SEC'S POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITIES

Our bylaws provide that directors and officers shall be indemnified by us to the fullest extent authorized by the Delaware General Corporation Law, against all expenses and liabilities reasonably incurred in connection with services for us or on our behalf. The bylaws also authorize the board of directors to indemnify any other person who we have the power to indemnify under the Delaware General Corporation Law, and indemnification for such a person may be greater or different from that provided in the bylaws. To the extent that indemnification for liabilities arising under the Securities Act may be permitted for our directors, officers and controlling persons, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

DESCRIPTION OF THE BUSINESS

General

We are a designer, developer and manufacturer of wireless technologies and products for a broad range of industrial and commercial applications. Our business is focused on developing, marketing and selling our high power linear radio frequency amplifiers.

High performance linear radio frequency amplifiers are used in current generation wireless voice, Internet and data base station and repeater networks and support cellular, personal communications services also referred to as PCS, paging, and wireless local loop wireless local loop frequencies.

Corporate History

We, Unity Wireless Corporation, were incorporated in the State of Delaware on October 1, 1998, under the name Sonic Systems Corporation. We are the successor to M&M International Realty, Inc., a Florida corporation, which effected a re-incorporation as a Delaware corporation by merger on December 1, 1998, with Unity Wireless Corporation as the surviving corporation. Before the merger, the Florida corporation had no material commercial activity. On December 11, 1998, we acquired all of the issued and outstanding stock of Unity Wireless Systems Corporation in exchange for 11,089,368 shares of our common shares. As a

result, the former stockholders of Unity Wireless Systems Corporation owned a majority of our outstanding stock. Therefore, for accounting purposes, Unity Wireless Systems

Corporation was deemed to have acquired Unity Wireless Corporation. Unity Wireless Systems Corporation survived as a wholly owned subsidiary.

Prior to the introduction of our radio frequency communications products, we had designed, manufactured, and sold an acoustic-based traffic signal preemption system under the trade name "Sonem." The system detected approaching sirens and issued commands to the traffic signal controller to adjust the traffic lights to give priority passage to the emergency vehicle(s). The Sonem product accounted for all revenues earned in the fiscal years ended December 31, 1998 and 1999, and the quarter ending March 31, 2000. In view of our strategic repositioning toward radio frequency wireless products during 2000, we, through our subsidiary Unity Wireless Systems Corporation, sold our Sonem business to Traffic Systems, L.L.C. on October 6, 2000. Accordingly, revenue from acoustic products ended in the third quarter of 2000.

Also, in late 1999, we increased our marketing efforts in Asia, resulting in a contract in the first quarter of 2000 with the Transportation Management Systems division of Orbital Sciences. Under the Orbital contract, UW Integration, through one of our wholly owned subsidiaries, UW Singapore, provided systems integration support, warranty and maintenance services for the Automatic Vehicle Management System to be delivered by Orbital and Sanyo Trading Company to Singapore Bus Services Ltd. Revenue from this contract started in the quarter ended June 30, 2000, and continued for the rest of the year. As we continued to refocus upon radio frequency communication products, we assigned the Orbital contract to Lyma Sales & Management Corp. on December 30, 2000, and therefore we had no further interest in any revenue resulting from the contract

In 1999 and 2000, we designed a specialized radio frequency communication product with the trademark "UniLinx", which we introduced commercially in the later part of 2000. This wireless internet protocol gateway was deployed in the traffic control market and the remote POS market during 2000. Sales from UniLinx commenced in the quarter ended June 30, 2000, and continued for the rest of the year and into the first quarter of 2001. In order to focus solely on the radio frequency communication products, we sold the UniLinx business and assets on June 12, 2001 to Horton Automation Inc. for Cdn $150,000, which is payable on a percentage of unit sales by Horton. Consequently, revenue from the Unilinx business ended in second quarter on 2001.

On November 16, 2000, we acquired Ultratech Linear Solutions Inc., a designer, developer and manufacturer of linear power amplifiers for the wireless network infrastructure industry. Ultratech's operations have been consolidated from the date of acquisition. The revenues from sales of Ultratech amplifiers from its inception on April 22, 1999 to December 31, 2000 were approximately $3,200,000. We received revenue from the sale of radio frequency power amplifiers starting in the quarter ended December 31, 2000. Management expects that the Ultratech acquisition will have a significant positive impact on our revenues in the current year and beyond.

We have incurred net losses since we became active in July 1995. Losses resulted from low sales of our Sonem traffic signal preemption system, combined with startup manufacturing activity and engineering and research and development costs relating to product improvement and new technologies.

Losses continued into 2000 as our revenue from Sonem sales, and the later revenue from UniLinx and the Orbital contract, did not exceed expenditures for research and development, marketing, and general and administrative activities. In the first half of 2000, we became a registrant with the SEC, requiring additional expenditures on legal and accounting services. Also, up to the time of the sale of the Sonem product, we made further development expenditures on this product to improve performance and to reduce unit costs. Marketing and additional development costs were also incurred on the UniLinx product.

With the completion of the Ultratech purchase, the discontinuance of the contract services (Singapore) business segment, the ending of active participation in the Sonem product and the sale of the Unilinx business, we have restructured our operations and staff complement to adjust for the needs of higher manufacturing volumes and development activities for radio frequency power amplifier products. We have also reviewed other costs and eliminated expenditures not directly required to implement our radio frequency wireless focus.

During 2001, we focused on developing our marketing, sales and global distribution network by increasing the number of distributors from one to over twenty by year-end. As well, we introduced over twenty-five new products into the marketplace. Our development activities were concentrated on increasing our engineering resources to develop our new products and the new feed forward radio frequency power amplifier technology. Feed forward is a technique to minimize the distortion effects introduced by amplification of radio frequency signals. We listed our common shares on the TSX Venture Exchange (formerly known as the Canadian Venture Exchange) during December 2001.

To focus our business and eliminate contingencies, we agreed, pursuant to a term sheet dated January 31, 2001, that warranty obligations of Unity Wireless Systems Corporation for Sonem products already installed would be assumed by Traffic Systems LLC, the purchaser of the Sonem business, in consideration of UW System's transfer of its equity interest in Traffic Systems LLC and our residual interest in the Sonem patents.

By mid 2002, our business strategy evolved and focused on securing long-term supply agreements with strategic key customers, thereby providing for a stabilized revenue base and consistent growth.

Acquisition and Dispositions

Sale of Sonem Business

We were founded to commercialize the Sonem technology traffic system devices. Based on our knowledge of intersection controllers gained in the traffic signal preemption business, specifically the specialized computers that control the signal lights, we developed our "UniLinx(TM)" technology. With further development of the UniLinx(TM) technology, management came to believe that the Sonem business should be de-emphasized in favor of a focus on UniLinx(TM) and other wireless technologies.

In keeping with this change in focus, we sold our Sonem business on October 6, 2000, to Traffic Systems LLC , an Arizona limited liability corporation owned 37% by Unity Wireless Systems Corporation and 63% by one of the Sonem contractors of Unity Wireless Systems Corporation, under the terms of an Asset Purchase Agreement among Unity Wireless Systems Corporation, Traffic Systems LLC and others. Under the Asset Purchase Agreement, Unity Wireless Systems

Corporation licensed substantially all of its Sonem patent rights to Traffic Systems LLC (on an exclusive world-wide basis) and Traffic Systems LLC covenanted to commercialize and sell the Sonem technology. In addition to its equity interest in Traffic Systems LLC, Unity Wireless Systems Corporation was entitled to receive $2,000,000 from the gross profits of Traffic Systems LLC. Unity Wireless Systems Corporation also agreed to assist Traffic Systems LLC in the transition of the Sonem business, by providing limited technical, consulting and financial support.

Although Traffic Systems LLC agreed under the Asset Purchase Agreement to assume the warranty obligations of Unity Wireless Systems Corporation for Sonem products already installed, Unity Wireless Systems Corporation was required to advance the costs of such obligations, with repayment to come from the gross profits of Traffic Systems LLC. We believe that the costs of such obligations in the

future may be substantial, and have agreed, pursuant to a term sheet dated January 31, 2001, that these obligations will be assumed by Traffic Systems LLC in consideration of UW System's transfer of its equity interest in Traffic Systems LLC and our residual interest in the Sonem patents. On April 30, 2001, Unity Wireless Systems Corporation and Traffic Systems LLC signed a definitive agreement consummating the term sheet.

For financial reporting purposes, the ultimate disposition of the Sonem business results in it being considered to be a discontinued operation. Accordingly, all discussions of our continuing operations in this Prospectus exclude the Sonem business.

Acquisition of Ultratech

Also as part of our strategy to focus on wireless technologies, we acquired Ultratech Linear Solutions, Inc., of Burnaby, British Columbia, Canada, in a share purchase transaction that was completed on November 16, 2000. Ultratech is a wireless communications technology designer, developer and marketer specializing in high power linear radio frequency amplifiers. In consideration of the Ultratech shares, we paid to the stockholders of Ultratech Cdn.$72,000 ($48,000) on account of stockholder loans, and issued 700,000 shares of our common stock. We had loaned Cdn.$300,000 ($200,000) to Ultratech before closing.

Disposition of Integration Services Business

To complement internally developed transportation-related products such as Sonem and UniLinx, we formed wholly owned UW Integration (and its wholly owned subsidiary Unity Wireless Integration (S) Pte Ltd.) in early 2000 to further pursue alliances, licensing agreements and marketing partnerships in the transportation systems and communications markets. In order to better focus on our new high power linear amplifier business, we sold UW Integration to Lyma Sales & Management Corp., a British Columbia, Canada, company wholly owned by Siavash Vojdani, a former officer and director of ours, on December 30, 2000.

Principal Products & Services

In general, we make and sell high power radio frequency power amplifiers. Radio frequency power amplifiers are used to boost the power of a radio signal before it is broadcast from an antenna. Our amplifiers are targeted primarily at radio systems used in wireless communications networks such as those which support cellular telephones.

Industry and Market Trends

In general, starting in the first half of 2001, the telecom markets have softened and currently many wireless providers and equipment makers have significantly cut back staff and expectations. Planned deployment of new third generation networks has been delayed in almost all markets.

Third generation network networks hold the promise of higher capacity and faster data rates commonly referred to as "higher bandwidth". Third generation networks use network resources much more efficiently, allowing multiple connections for voice and/or data to share the same channel simultaneously.

Many countries have already sold or allocated the required frequency spectrum for third generation network deployment, and operators are caught in a difficult position having on the one hand enormous pressure to deploy equipment and make use of their expensive asset (the spectrum) and on the other hand enormous expense with an uncertain payback to build the network. Several countries have reduced the cost of the spectrum or offered other incentives for the operators to build the third generation network networks.

This situation has caused some new technologies to be developed in an effort to reduce the cost of deploying third generation network. These include methods of reducing the amount of infrastructure investment (in particular the number of base stations and antennas) required to complete the minimum coverage footprints required. We have started working with companies in four such areas:

- smart antennas
  - technology to increase the capacity and/or coverage of a cell site by directing the energy broadcast from the antenna towards a particular cell phone, rather than sending it equally in all directions; can increase the effective signal strength by "focusing" it, can permit re-use of the same frequency channel within a cell by directing it in different directions
- tower top amplifiers
  - technology to increase the efficiency of broadcast signals by locating the final amplifier stage close to the antenna; traditional systems locate the amplifiers at the base of the antenna (indoors) - by putting them closer to the broadcast point, less energy is lost in cables, the cables used can be much smaller and less expensive, and as a result lower powered amplifiers can be used to deliver more effective power to the antenna
- super coverage antennas
  - by combining smart antennas and very high power tower top amplifiers with larger and more efficient antennas on very high towers, the overall coverage area ("footprint") of a cell site can be increased; this is of particular interest for networks operating at higher frequencies, such as third generation networks, because higher frequency signals do not travel as far as lower frequency signals - so super coverage antennas may permit new generation cellular networks to be deployed using the

same base station sites as earlier networks (otherwise, many more base stations will be required for 3G because of the smaller cell size)

- distributed / extended base stations (remote heads)

  - another approach to overcoming the distance limitations of third generation signals is to deploy a larger number of smaller broadcast points; this can be accomplished by separating the base station from the antenna. One way to do this is by linking the base station to the broadcast points by fiber optic links, in this case the computer portions of a number of base stations can be co-located in a "base station hotel" with convenient network connections and air-conditioned environment, and then the broadcast points are called remote heads and consist of a smaller unit, sometimes mounted at the tower top, to convert the signal from fiber, amplify it and send to the antenna.

Although it remains to be seen which, if any, of these new technologies will be successful, they all appear to have the possibility of reducing capital costs of network operators to meet their third generation network coverage obligations and they all utilize the kind of repeater-style amplifiers that we

specialize in. However, if conditions in the wireless telecommunications industry do not improve in the near term, the roll-out of third generation networks may be slowed or delayed indefinitely.

Technology Background

A typical cellular network includes a number of base stations (also called base transceiver stations), repeaters, and handsets or cell phones. The base stations are organized into "cells" which can be up to several miles in diameter in rural areas, but are much smaller in urban areas. Each base station manages all the calls in its cell, connects the mobile handsets to the wired telephone network, looks after collection of billing data, and transfers the calls to the next cell as the handsets move to the edge of the cell. Base stations generally contain eight or more very high power (60-100 watts average output power) amplifiers for the broadcast of signals "down" from the antenna to the handsets; the process is sometimes referred to as a "downlink". A different type of amplifier, called a low noise amplifier, is located close to the antenna for receiving the weak signals sent from handsets back to the base station, sometimes referred to as an "uplink" - we do not currently make low noise amplifiers. Base station amplifiers usually fit into an equipment rack in an air-conditioned room, and often have built-in cooling fans; most manufacturers of base transceiver station equipment have their own proprietary mechanical and electrical interface requirements for the amplifiers.

Cells in urban areas are typically "capacity constrained" (i.e. limited by the number of simultaneous calls the base transceiver station can support), where rural and suburban cells are typically "coverage constrained" (i.e., limited by the geographic area they can cover with a signal strong enough to communicate clearly. In many cases, repeaters can be used to extend coverage). Repeaters are breadbox-sized units usually designed for outdoor, pole mounting, which receive a weak signal "off air" (i.e. having been broadcast by a distant base station), filter distortion and noise from the signal, then amplify and rebroadcast the clean signal in stronger form. Repeaters can be used to provide coverage along a remote highway, for example, or to a town hidden in a valley

from the nearest base station. Repeaters can be designed for use in tunnels and buildings, or public spaces such as malls or airports. Some versions of repeaters can receive their input signal by coaxial or fiber optic cable instead of from the air, further extending their range from the base transceiver station. Repeaters generally contain a radio frequency power amplifier of 10-30 watts average output power, about the size and shape of a small hardcover book; in-building repeaters can be as small as 1 or 2 watts. Radio frequency amplifiers for repeaters generally are designed to mount inside an outdoor equipment box that will be mounted on a pole or tower.

A big challenge in broadcasting voice or data is to ensure that the broadcast signals are as perfect as possible, maintaining the integrity of the communications and not interfering with other radio equipment or other channels running on the same equipment. This requires radio frequency power amplifiers which amplify signals with the least distortion and maximum fidelity possible. Unfortunately, the power transistors around which power amplifiers must be built do not on their own exhibit all these characteristics so amplifier designs must include complex circuitry to compensate for the inherent non-linearity of the chips. Linearity is a measure of an amplifier's ability to faithfully reproduce the weak input signal as a stronger output signal without introducing any distortion in the amplification process.

Several methods exist to compensate for the non-linearity of the devices, with various technical and cost trade-offs. In all cases, the "efficiency" of the amplifier is an important factor, where efficiency is the ratio of direct current or DC power consumed vs. the radio frequency power emitted (the balance, often more than 90%, being dissipated as heat which must be removed by air-conditioning or heat fins).

The amplifiers must also contain temperature compensation circuitry to ensure they maintain effective operation across a very wide temperature range, often from -20(0)C to +70(0)C or more, and control

and monitoring circuitry so they can be integrated into the original equipment manufacturer's equipment as part of a larger system.

Principal Products of the Company

We make high power radio frequency amplifiers. Most of our products are high power amplifiers, defined as single channel power amplifiers used for sending signals from a network to a terminal such as a cell phone. Most are used in repeaters that are used to extend coverage in cellular telephone networks. Some products are also used in base station equipment and some are multi-channel power amplifiers. One product has been tested for digital television broadcasting in Korea, and one product is for base stations used in wireless local loop applications. Wireless local loop networks are sometimes referred to as "the last mile" solution - unlike cellular phone systems which are mobile wireless networks, wireless local loop is designed to deliver voice and high speed data (e.g., Internet) services to fixed locations such as homes and small offices without the need for special wiring via wireless communication devices.

A radio frequency power amplifier for a repeater is typically a rectangular box about the size of a hardcover book. The box is made from a block of aluminum with an aluminum cover securely attached. The amplifier will have connectors for receiving and emitting radio frequencies, DC power in (usually either 12 volts, 27 volts or -48 volts), and a control/monitoring interface for adjusting the operation of the amplifier. The circuit boards and components inside the

amplifier are designed for the maximum heat dissipation through the base plate of the box, which when installed by the customer in a repeater will be bonded to a finned heat sink to best transfer the heat energy from the amplifier to the outside air.

A radio frequency power amplifier for a base station usually mounts as a slide-in module in an industry standard electronics equipment rack. These amplifiers may be designed as repeater amps and then mounted on a slide-in heat sink, sometimes with other circuitry provided by the base station manufacturer; or they may be designed as base transceiver station-specific modules.

Our family of amplifiers covers a range of average output power levels (from 2 watts to 80 watts) and a number of different operating frequency bands:

Frequency Band	Usage
- 450 MHz	Russian third generation cellular phones
- 470 - 860 MHz	digital television
- 800/900 MHz	first generation cell phones know as Cellular Band
- 1800/1900 MHz	second generation cell phones know as PCS Band
- 2100 MHz	third generation network cell phones and mobile devices
- 3.5 GHz	wireless local loop fixed wireless

Most of our sales to date have been of amplifiers in the cellular and PCS bands, for repeater applications. Recent contracts for supply of third generation network and wireless local loop products have been signed, and test or development is underway for the 450MHz and digital television products, as well as for three base station amplifiers.

Our principal customers are the original equipment manufacturers of repeaters and base stations. The original equipment manufacturers sell their products, which include radio frequency power amplifiers, to the operators of wireless networks.

MARKET OVERVIEW

The market for cellular band, PCS band, third generation networks and wireless local loop networks has grown significantly during the past decade, due to decreasing prices for wireless handsets, increasing competition among network operators resulting in lower costs to consumers and a greater availability of high quality services. In addition, several developing countries are expected to install wireless telephone networks as an alternative to installing, expanding or upgrading traditional wire-line networks. Emerging bi-directional wireless data applications such as Internet browsing and location-based services (where the service provider can send a user different information depending on the user's location when making the request) also have the potential to further expand the market for wireless networks by allowing network operators to increase revenue-generating traffic on their networks.

We believe that the potential for future growth of the global wireless market is dependent on several economic and other factors:

- Consumers and businesses worldwide are driving up penetration and usage rates and therefore increasing the demands for voice, Internet and data wireless networks.

- Affordable telecommunication infrastructure is becoming necessary

in developing countries and the construction of wireless local loop networks is one of the quickest and most cost-effective solutions.

- Traditional telecommunications service providers are incorporating and bundling wireless technologies into their suite of offerings.

- The move to one or two global standards for third generation network wireless services will cause most current infrastructure to be upgraded or replaced.

Despite the persistent downturn in the wireless telecommunications industry, we expect that factors such as these will eventually increase global demand for wireless technologies. According to industry analysts, the Carmel Group in a report published in January 2002, the global mobile subscriber base of 480 million in 1999 will grow to 1.8 billion in 2005. The corresponding traffic volume is also expected to increase to 2,074 billion minutes in 2005 from 541 billion minutes in 1999. We anticipate a significant and corresponding increase in global wireless network infrastructures to support this subscriber and traffic growth.

The growth of infrastructure equipment is also influenced by the industry's focus on price reductions. While the traffic volume is increasing as noted above, the average revenue per wireless user has been flat or declined. Competition between network operators for subscribers is significant and influenced by subscriber plans that include flat rates, free long distance, no roaming charges (i.e., additional charges assessed for making calls outside your local calling area) and free minutes of use. This pricing pressure extends to the equipment manufacturers, including suppliers of amplifiers and components, in the form of steadily increasing pressure for higher performance, lower cost equipment to reduce infrastructure capital costs and operating expenses.

Several trends have affected the supply and demand for power amplifiers in the global market. As recently as a decade ago, the global market was small and dominated by a few suppliers. With the rapid growth of wireless technology in the late 1990s, the number of competitors has increased and smaller companies that supplied amplifiers to niche markets grew quickly and gained market share.

Another trend in the wireless market is the convergence of high-speed Internet access with mobile and fixed wireless systems. Cellular Band and PCS Band systems are currently adopting limited Internet capability, and many traditional mobile communications systems providers are attempting to provide high Internet access speeds that should create additional opportunities for new systems to gain market acceptance. Clearly, as these trends cyclically slow or accelerate, the wireless market in general will be similarly affected and that will have a corresponding affect on our potential sales of amplifiers into that market.

These specialized markets are expected to become even more important as the third generation network networks begin to build out over the next few years. The demand for third generation network will be driven from two sources:

- third generation network networks are expected to address consumer demands by providing higher speed communications and wireless Internet services; and

- the needs of network operators for higher call capacity and more billable "subscriber minutes".

The nature of third generation network radio frequency signals is such that the signals have higher attenuation rates that means that the size of each third generation network cell site is much smaller in coverage area than that of earlier generations of wireless technology. The solution for network operators who wish to (or need to) move to third generation network is to

- build out as many as 5 times as many base stations, or

- to deploy one or more "infill" technologies such as repeaters, smart antennas, distributed base stations and micro-cells.

Both solutions imply that third generation network networks will need a lot more radio frequency power amplifiers than earlier generation networks.

Wireless carriers are also actively working to increase system capacity by implementing additional radio carriers to existing base stations, and by adding new radio interface standards such as Global System for Mobile Communications (GSM), General Packet Radio Service (GPRS) and Wideband Code Division Multiple Access (WCDMA). In adding new radio traffic, the network operator must increase the radio frequency power available in the transmission equipment in order to cover the same geographical area. Therefore, the need to increase system capacity has led many wireless base station manufacturers and network operators to procure high power amplifiers designed to handle these advanced digital communications signal formats.

The transition to advanced wireless networks will entail large expense. According to an UpsideToday Magazine Special Report on March 5, 2002, AT&T Wireless estimates that it will spend $3.8 billion on third generation network deployment while Cingular, the second largest wireless service provider in the United States, estimates spending $2.88 billion. US Cellular, which provides wireless service to more than 3.5 million subscribers in 25 states, is spending between $400 million and $450 million on radio and switching equipment for 3,500 base stations and related infrastructure as reported May 16, 2002 in Reuters Company News.

If the usage of wireless applications increases, the demand for more system capacity and greater system coverage also increases, thus creating an increased demand for power amplifiers.

Market Sectors

The market for radio frequency power amplifiers can be divided in 2 large sections, called in the industry "captive" and "merchant". The captive market refers to those amplifier manufacturers who are owned by or have special allegiance to a specific original equipment manufacturer. For example, Ericsson recently (late 2000) purchased MPD Inc. to increase their in-house capacity for amplifiers. The merchant market refers to those independent manufacturers of amplifiers who sell to independent original equipment manufacturers. We operate in the merchant market.

According to RadioWAVES Wireless Technology Quarterly, January, 2002, an SG Cowen publication, in 2001, the overall market for "mobile infrastructure" was estimated at $47 billion; of that about $785 million represents the radio frequency power amplifier market. Of the $785 million, about 75% is accounted

for by the five largest merchant suppliers, leaving 25% available for the smaller players such as Unity Wireless. The 75% includes Celiant, spun off from Lucent about a year ago and recently purchased by Andrew Corp.; 90% of Celiant's sales still come from Lucent so although it is technically in the merchant market, it could also be considered captive

RadioWAVES Wireless Technology Quarterly, January, 2002, also reports that the merchant market for amplifiers is expected to grow from about 19% of the total amplifier market in 1998, to about 40% in 2003, and show a 35% cumulative annua