

UNITY WIRELESS CORP
Form SB-2/A
April 25, 2007

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

FORM SB-2/A-2

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

UNITY WIRELESS CORPORATION

(Exact name of registrant as specified in its charter)

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

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

NRAI, Inc.

Suite 108 - 100 Canal Pointe Blvd

Princeton, NJ 08540

Tel: 609-716-0300

(Name, address and telephone number of agent for service)

Send Correspondence to:

Dallas Pretty, Chief Financial Officer
7438 Fraser Park Drive, Burnaby, British Columbia,

Canada V5J 5B9

Tel: (800) 337-6642

Fax: (602) 357-1148

Approximate date of proposed sale to the public: From time to time after the effective date of this Registration Statement.

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 registration statement for the same offering. []

If this Form is a post-effective amendment filed pursuant to Rule 462(c) 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 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. []

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CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered ⁽¹⁾	Proposed maximum offering price per share ⁽²⁾	Proposed maximum aggregate offering price (US\$)	Amount of registration fee ⁽³⁾
Common Stock, \$0.001 Par Value	206,542,647	\$0.09	\$18,594,655	\$2,187.91

(1) Pursuant to Rule 429, this is a combined registration statement that covers 27,562,047 shares being carried forward from Registration Statements Nos. 333,123,623, 333-119759, and 333-114817 and 178,980,600 shares being registered for the first time by this registration statement.

(2) Estimated pursuant to Rule 457(c) under the Securities Act solely for purposes of calculating the Registration Fee. The fee is based upon the average of the high and low prices for a share of common stock of the registrant, as quoted through the over-the-counter bulletin board on December 28, 2006.

(3) A registration fee of \$2,187.91 is being submitted in connection with this registration statement.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION 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 THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME

EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

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THE INFORMATION CONTAINED IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. THE SELLING SHAREHOLDERS MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SHARES AND THE SELLING SHAREHOLDER IS NOT SOLICITING AN OFFER TO BUY THESE SHARES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

Subject to Completion , 2007

PROSPECTUS

UNITY WIRELESS CORPORATION

206,542,647 SHARES OF COMMON STOCK OF UNITY WIRELESS CORPORATION

The prospectus relates to the resale by certain selling stockholders of Unity Wireless Corporation of up to 206,607,279 shares of our common stock, consisting of:

- up to 56,485,365 shares issuable upon conversion of convertible notes;
- up to 99,830,330 shares issuable upon exercise of warrants;
- up to 6,266,932 shares issuable in lieu of interest on convertible notes; and
- up to 43,960,020 shares issued (i) to settle amounts owed for services; (ii) in lieu of interest on convertible notes, and (iii) upon conversion or exercise of convertible notes and warrants, and which were included in a previous registration statement but remain unsold.

For a description of the plan of distribution of the shares, please see page 16 of this Prospectus.

Our common stock is traded on the OTC Bulletin Board under the symbol "UTYW". On March 30, 2007, the closing bid price of our common stock was \$0.10.

OUR BUSINESS IS SUBJECT TO MANY RISKS AND AN INVESTMENT IN OUR COMMON STOCK WILL ALSO INVOLVE A HIGH DEGREE OF RISK. YOU SHOULD INVEST IN OUR COMMON STOCK ONLY IF YOU CAN AFFORD TO LOSE YOUR ENTIRE INVESTMENT. YOU SHOULD CAREFULLY CONSIDER THE VARIOUS RISK FACTORS DESCRIBED BEGINNING ON PAGE 6 BEFORE INVESTING IN OUR COMMON STOCK.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is _____.

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You should rely only on the information contained in this prospectus. We have not, and the selling security holders have not, authorized anyone to provide you with different information. If anyone provides you with different information, you should not rely on it. We are not, and the selling security holders are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business financial condition, results of operations and prospects may have changed since that date. As used in this prospectus, the terms "we", "us", "our", and "Unity" mean Unity Wireless Corporation and its subsidiary, unless otherwise indicated.

All dollar amounts refer to US dollars unless otherwise indicated.

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information and financial statements including the notes thereto, appearing elsewhere in this prospectus. Because it is a summary, it does not contain all of the information you should consider before investing in our common stock. You should carefully read the entire prospectus including the Risk Factors section and the documents and information incorporated by reference into it.

Corporate Information

Our Company, Unity Wireless Corporation, is a Delaware corporation incorporated on October 1, 1998 (formerly Sonic Systems Corporation). We have four wholly-owned subsidiaries, Unity Wireless Systems Corporation, a British Columbia corporation, Unity Wireless Microwave Systems Ltd., an Israel corporation, Celerica Inc, a Delaware corporation, and Celletra Ltd., an Israel corporation.

Our Business

Unity Wireless is a world-class provider of wireless coverage enhancement solutions for cellular operators and custom subsystems for network infrastructure manufacturers. We maintain a website at www.unitywireless.com. Information contained on our website does not form part of this prospectus.

Number of Shares Outstanding

There were 134,741,098 shares of our common stock issued and outstanding as at March 30, 2007.

The Offering

This prospectus covers the resale by the selling stockholders named in this prospectus of up to 206,542,647 shares of our common stock. The offered shares were acquired by the selling security holders in transactions which were exempt from the registration and prospectus delivery requirements of the Securities Act of 1933. Our expected expenses for registering these securities are approximately \$15,000.

There were 134,741,098 shares of our common stock issued and outstanding as at March 30, 2007. In addition, as at March 30, 2007, we had an additional 252,424,651 shares reserved for issuance upon exercise of conversion of outstanding options, warrants, convertible debentures and other convertible securities. Our common stock currently trades on the OTCBB.

The selling stockholders may sell their shares of our common stock at prevailing market prices, privately negotiated prices, or otherwise as stated in the Plan of Distribution. We will not receive any of the proceeds of the shares of common stock offered by the selling stockholders, however we will receive the proceeds from the exercise of warrants.

Summary of Financial Data

The summarized financial data presented below is derived from and should be read in conjunction with the audited consolidated financial statements as at December 31, 2006 and 2005 including the notes to those financial statements which are included elsewhere in this prospectus, along with the section entitled "Management's Discussion and

Analysis" beginning on page of this prospectus.

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	For the period ended December 31, 2006	For the period ended December 31, 2005
Revenue	\$7,343,552	\$4,905,579
Net Loss for the Period	(\$14,834,901)	(\$5,450,408)
Loss Per Share - basic and diluted	(\$0.16)	(\$0.06)
	As at December 31, 2006	As at December 31, 2005
Working Capital (Deficiency)	(\$7,691,034)	(\$1,985,374)
Total Assets	\$24,760,980	\$3,966,960
Total Number of Issued Common Stock	107,159,019	90,885,396
Deficit	(\$42,107,387)	(\$27,272,486)
Total Stockholders' Equity	\$3,762,867	(\$760,000)

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Form SB-2 contains forward-looking statements. For this purpose, any statements contained in this Form SB-2 that are not statements of historical fact may be deemed to be forward-looking statements. You can identify forward-looking statements by those that are not historical in nature, particularly those that use terminology such as "may," "will," "should," "expects," "anticipates," "contemplates," "estimates," "believes," "plans," "projected," "predicts," "potential," or "continue" or the negative of these similar terms. In evaluating these forward-looking statements, you should consider various factors, including those listed below under the heading "Risk Factors". The Company's actual results may differ significantly from the results projected in the forward-looking statements. The Company assumes no obligation to update forward-looking statements.

RISK FACTORS

An investment in our common stock involves a number of very significant risks. You should carefully consider the following risks and uncertainties in addition to other information in this prospectus in evaluating our company and its business before purchasing shares of our company's common stock. Our business, operating results and financial condition could be seriously harmed due to any of the following risks. The risks described below are not the only ones facing our company. Additional risks not presently known to us may also impair our business operations. You could lose all or part of your investment due to any of these risks.

Risks Associated with our Business

We have had negative cash flows from operations and if we are not able to obtain further financing our business operations may fail.

To date we have had negative cash flows from operations and we have been dependent on sales of our equity securities and debt financing to meet our cost requirements. As of December 31, 2006, we had working deficiency of \$7,691,034. We do not expect positive cash flow from operations in the near term. We may not be able to obtain additional equity or debt financing on acceptable terms when we need it. We have pledged all of our assets to secure convertible notes that we

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issued in August 2004, February 2005, March 2005, February 2006, and December 2006.

We may conduct offerings in the future in which case your shareholdings will be diluted.

Since our inception, we have relied on equity sales of our common stock to fund our operations. We may conduct further equity offerings in the future to finance our current projects or to finance subsequent projects that we decide to undertake. If common stock is issued in return for additional funds, the price per share could be lower than that paid by our current stockholders. We anticipate continuing to rely on equity sales of our common stock in order to fund our business operations. If we issue additional stock, your percentage interest in us will be diluted. The result of this could reduce the value of your stock.

There is substantial doubt about our ability to continue as a going concern.

We expect to incur operating losses and negative cash flow until our products gain market acceptance sufficient to generate a commercially viable and sustainable level of sales. These circumstances raise substantial doubt about our ability to continue as a going concern, as described in our independent auditors' report on the December 31, 2006 consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of that uncertainty.

We depend on a limited number of customers and if we are unable to diversify our customer base and we lose one or more of these customers, then our revenues may decrease significantly.

We had sales of \$7,343,552 for the year ended December 31, 2006. One customer accounted for 30.0% of sales and another accounted for 13.0% of sales. No other customer accounted for more than 10.0% of our sales.

We depend on experienced management and if we are unable to retain or hire such management in the future, then our ability to produce innovative and competitive products could be adversely affected

We depend on 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. If we are unable to retain or hire such management and key technical employees, our ability to generate revenues could be adversely affected, as would our continued business operations. We have not entered into employment or non-competition agreements with our executive officers.

We operate in a highly competitive industry and our failure to compete effectively may adversely affect our ability to generate revenue.

The wireless communications industry is characterized by rapidly evolving technology and intense competition. We may be at a disadvantage to other companies having more technical staff, established market share and greater

financial and operational resources. Some of our competitors have achieved greater brand recognition and technologies than we currently enjoy. We may not be able to successfully compete.

We hold no patents on our technology and may not be able to protect our proprietary technology.

Other than a provisional patent application filed in the United States and Israel for our multi-carrier linear amplifier and repeaters, respectively, we do not have any patents on our technology or products. We rely on a combination of copyright, trade secret, trademark and patent laws to protect our proprietary intellectual property.

Unanticipated warranty costs could affect the ongoing demand for our products and our ability to operate profitably.

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.

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We have a significant amount of aged payables and if we are unable to pay such amounts or if a creditor decides to take legal action against us, we may have to scale down or cease the operation of our business.

As at December 31, 2006, we had accounts payable and accrued liabilities of \$9,601,918, of which approximately \$5,302,979 represented payables to trade creditors. To date, these creditors have been co-operating with us to accept a delayed payment of these outstanding payables. If one or more of these creditors is no longer willing to accept delayed payments and demands immediate payment of any such amounts, then our cash position and our need for further financing may become immediate. If we are unable to raise the funds to pay off such aged payables, then our continued operations may be negatively affected, and we may have to scale down or even cease the operation of our business.

Risks Associated with our Common Stock

Trading of our stock may be restricted by the SEC's penny stock regulations which may limit a stockholder's ability to buy and sell our stock.

The Securities and Exchange Commission has adopted regulations which generally define "penny stock" to be any equity security that has a market price (as defined) less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exceptions. Our securities are covered by the penny stock rules, which impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and "accredited investors". These requirements may have the effect of reducing the level of trading activity in the secondary market for the stock that is subject to these penny stock rules. Consequently, these penny stock rules may affect the ability of broker-dealers to trade our securities. We believe that the penny stock rules discourage investor interest in and limit the marketability of our common stock.

Other Risks

Substantially all of our assets and a majority of our directors and officers are outside the United States, with the result that it may be difficult for investors to enforce within the United States any judgments obtained against us or any of our directors or officers.

Substantially all of our assets are located outside the United States and we do not currently maintain a permanent place of business within the United States. In addition, a majority of our directors and officers are nationals and/or residents of countries other than the United States, and all or a substantial portion of such persons' assets are located outside the United States. As a result, it may be difficult for investors to enforce within the United States any judgments obtained against us or our officers or directors, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof. Consequently, you may be effectively prevented from pursuing remedies under U.S. federal securities laws against them.

USE OF PROCEEDS

We will not receive any of the proceeds from the sale of the shares of our common stock being offered for sale by the selling stockholders. We will, however, receive proceeds upon exercise of the warrants and these proceeds will be used for general working capital purposes. We will incur all costs associated with this registration statement and prospectus.

DETERMINATION OF THE OFFERING PRICE

The selling stockholders may sell their shares of our common stock at prevailing market prices, privately negotiated prices, or otherwise as stated in the Plan of Distribution .

SELLING SECURITY HOLDERS

The table sets forth certain information regarding the beneficial ownership of shares of common stock by the selling stockholders as of March 30, 2007, and the number of shares of common stock covered by this prospectus. All shares offered hereby are being registered pursuant to registration agreements with the Company.

The selling stockholders may offer and sell, from time to time, any or all of the 206,542,647 shares of common stock to be registered. No estimate can be given as to the amount or percentage of these shares of common stock that will be held by the selling stockholders upon termination of the offering.

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The table indicates the shares that are offered hereby that are issuable upon conversion of convertible notes, the exercise of warrants issued in private placements, or in lieu of interest on convertible notes. The table also indicates, under the title Shares in the preceding column that are registered hereunder, the shares registered hereby that were issued (i) to settle amounts owed for services; (ii) in lieu of interest on convertible notes, and (iii) upon conversion or exercise of previously registered securities.

Selling Security Holder	Shares owned prior to this offering	Shares in the preceding column which are registered hereunder	Shares issuable upon conversion of notes, all of which are registered hereunder	Shares issuable in lieu of interest of notes, all of which are registered hereunder	Shares issuable upon exercise of warrants, all of which are registered hereunder	Total Shares Registered
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Beth Medrash Govoha of Lakewood (a)	655,726	-	-	-	233,333	23
Chancellor Apartments LLC (b)	1,525,000	-	-	-	258,750	25
Mokhlis Y. Zaki	632,632	-	-	-	50,000	5
Moshe Rosner	345,000	-	-	-	132,109	13
Mueller & Company (c)	-	-	-	-	166,667	16
Shalom Torah Centers (d)	193,749	-	-	-	129,375	12
Sid Tarrabain Professional Corporation (e)	-	-	-	-	33,334	3
Keren MYCB Elias Foundation (f)	294,001	294,001	247,777	-	555,555	1,09
William N. Weidman	18,912,799	262,081	312,500	250,000	2,210,300	3,03
Bridges & Pipes LLC (g)	892,716	561,788	1,812,500	650,000	500,000	3,52
Bushido Capital Master Fund, L.P. (h)	1,706,737	1,480,139	13,194,444	1,300,000	5,625,000	21,59
CAMOFI Master LDC (i)	1,361,632	1,165,606	17,777,778	1,600,000	5,687,500	26,23
TCMP3 Partners (Titan Capital Management LLC) (j)	40,831	40,831	312,500	50,000	375,000	77
Vicis Capital Series (k)	135,177	135,177	937,500	150,000	375,000	1,59

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Gamma Opportunity Capital Partners, LP (l)	300,851	300,851	5,555,556	500,000	1,562,500	7,911,000
Jeffrey Rubin	718,720	283,720	250,000	50,000	528,433	1,111,000
Jose Zajac	54,015	54,015	24,350	4,870	125,000	200,000
Leon Goldenberg	129,731	129,731	18,343	3,669	125,000	270,000
Nathan Herzka	67,846	67,846	29,017	5,804	62,500	160,000
Rachel Mendelovitz	83,945	83,945	125,000	25,000	62,500	290,000
Sam Nedenzahl	37,122	37,122	332,950	66,590	250,000	680,000
Sara Heiman	2,717,401	482,110	500,000	100,000	646,325	1,720,000
Unity Capital (m)	6,517	6,517	50,000	10,000	125,000	190,000
Anfel Trading Limited (n)	2,036	2,036	5,161	1,000	125,000	130,000
Merit Consulting (o)	200,000	200,000	-	-	200,000	400,000
David Filer	-	-	-	-	21,813	20,000
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David Skriloff	-	-	-	-	-	9,163
MW Crow Family LP (p)	-	-	-	-	-	208,275
Richard Smithline	-	-	-	-	-	38,874
Duncan Capital LLC (q)	-	-	-	-	-	1,096,875
Cambria Capital LLC (r)	-	-	-	-	-	973,264
Dale Garrett	-	-	-	-	-	20,625

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David Fuchs	-	-	-	-	584,375
Eric Richardson	-	-	-	-	185,625
Daniel Schneierson	-	-	-	-	50,000
Investor Relations Group (s)	-	-	-	-	200,000
Michael A. Mulshine	703,722	75,000	-	-	500,000
Michael G. Cunniff	660,000	-	-	-	50,000
RK Equity (t)	-	-	-	-	120,000
John Douglas Shields Law Corporation (u)	269,014	144,493	-	-	-
Mike Chester	260,000	260,000	-	-	-
LahadStar Ltd. (v)	43,750	43,750	-	-	64,500
ORM Communication Ltd. (w)	43,750	43,750	-	-	64,500
Advent PGGM Gemini L.P. (x)	-	-	34,544	3,454	17,272
FBR Infinity II Ventures (Erisa), LP (y)	-	-	206,189	20,619	103,094
FBR Infinity II Ventures (Israel), LP (y)	-	-	563,067	56,307	281,534
FBR Infinity II Ventures, LP (y)	-	-	539,900	53,990	269,950
Gemini Israel II L.P. (x)	-	-	270,456	27,046	135,228
Gemini Israel II Parallel Fund L.P. (x)	-	-	271,922	27,192	135,961
Gemini Partner Investors L.P. (x)	-	-	5,233	523	2,617
Lior Bregman	-	-	92,700	9,270	46,350
SVM Star Ventures Managementgesellschaft mbH Nr. 3 (z)	-	-	2,530,111	253,011	1,265,056
Valley Venture Capital L.P. (aa)	-	-	1,041,422	104,142	520,711
Pierce Diversified Strategy Master Fund, LLC Series BUS (bb)	-	-	2,777,778	277,778	1,388,889
Whalehaven Capital Fund Limited (cc)	-	-	5,555,556	555,556	2,777,778
Louis Rabman	-	-	1,111,111	111,111	555,556
Patricia Giberson	175,000	175,000	-	-	-
	575,000	575,000	-	-	791,666

Oceana Partners, LLC (dd)				
Meitav Underwriting Ltd.	1,100,000	1,100,000		2,673,331
Tamir Fishman Education Fund - General	2,944,022	2,944,022		4,416,033
Tamir Fishman Provident Fund - General	3,606,733	3,606,733		5,410,100
Tamir Fishman Severance Pay Fund - General	382,533	382,533		573,800

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Mohog Ltd	2,100,000	2,100,000	3,150,000	5,250,000
Yalin Lapidot	5,300,000	5,300,000	7,950,000	13,250,000
Tamir Fishman Severance Pay Fund - Value	1,066,667	1,066,667	1,600,001	2,666,668
Koby Ramot Kabili	555,556	555,556	833,334	1,388,890
Joseph Shapira			72,482	72,482
Rmicom Ltd. (Gideon Argaman) (ee)			54,361	54,361
IDB Development Corporation Ltd.(y)			16,903	16,903
Clalit Finance and Investments Ltd.(y)			25,356	25,356
Clal Insurance Enterprise Holdings Ltd.(y)			8,452	8,452
Clal Insurance Company Ltd. (y)			8,452	8,452
Azorim Investment Developments Ltd.			8,452	8,452
Infinity I Annex Fund, L.P. (ff)			2,453,238	2,453,238
Israel Infinity Venture Capital Fund (Israel) L.P. (y)			179,985	179,985
Israel Infinity Venture Capital Fund (Delaware), L.P. (y)			152,719	152,719
Israel Infinity Venture Capital Fund (Cayman I), L.P (y)			16,875	16,875
			34,935	34,935

Israel Infinity Venture Capital Fund (Cayman II)L.P. (y)		
Clal Industries and Investments Ltd. (y)	1,147,658	1,147,658
Clal Electronics Industries Ltd. (y)	1,130,754	1,130,754
Gemini Israel II L.P. (x)	1,820,580	1,820,580
Gemini Israel II Parallel Fund Limited Partnership (x)	1,830,565	1,830,565
Gemini Partner Investors L.P. (x)	35,232	35,232
Advent PGGM Gemini L.P. (x)	232,522	232,522
SVE STAR Ventures Enterprises No. VII, a German Civil Law Partnership (with limitation of liability) (z)	8,942,855	8,942,855
Star Seed Enterprises, a German Civil Law Partnership (with limitation of liability) (z)	6,633,559	6,633,559
SVE Star Ventures Enterprises GmbH & Co. No. VIIa KG (z)	908,146	908,146
SVM STAR Ventures Managementgesellschaft mbH Nr. 3 & Co. Beteiligungs KG Nr. 2 (z)	10,290	10,290
SVM Star Ventures Management GmbH Nr.3 (z)	536,941	536,941
Warburg Pincus Emerging Growth Fund, Inc.	316,534	316,534
Weiss Peck & Greer L.L.C. Raj Mehra	38,208 452	38,208 452
Bost&Co. Boston Safe Deposit and Trust Co	96,997	96,997
Stanley Stern	1,229	1,229
Lior Bregman	624,017	624,017
Kenneth G. Greenwald	385	385
Amit Frenkel	4,448	4,448
FBR Infinity II Ventures (Israel) LP (y)	1,568,374	1,568,374

FBR Infinity II Ventures LP (y)		1,503,389	1,503,389
FBR Infinity II Ventures (Erisa) LP (y)		574,160	574,160
Valley Venture Capital Limited Partnership (aa)		7,010,495	7,010,495
Ronen Kantor Trustees Ltd		2,000,000	2,000,000
Ascend Technology Ventures L.P.		142,759	142,759
Clal Electronics Industries Ltd. (y)		69,019	69,019
RDC Rafael Development Corporation Ltd. (y)		62,330	62,330
H.B. Radio Investment Limited Partnership		61,869	61,869
Clal Venture Capital Fund Limited Partnership (y)		50,944	50,944
Discount Investment Corporation Ltd. (y)		44,853	44,853
Challenge Fund L.P.		39,518	39,518
ECI Telecom Ltd. (y)		27,907	27,907
Formula Ventures L.P.		25,456	25,456
Elron Electronic Industries Ltd. (y)		22,426	22,426
Formula Ventures (Israel) L.P.		37,257	37,257
Far East Finance Ltd.		6,891	6,891
FV- PEH L.P.		6,119	6,119
AVIX Investments Ltd.		2,652	2,652
Nathan A. Low Roth	909,356	909,356	909,356
Apollo Nominees Inc.	40,937	40,937	40,937
Pitango Venture Capital Fund III (USA) L.P. (ff)	3,705,818	3,705,818	3,705,818
Pitango Venture Capital Fund III (USA) Non-Q L.P. (ff)	342,587	342,587	342,587
Pitango Venture Capital Fund III (Israeli)	1,001,549	1,001,549	1,001,549

Investors) L.P. (ff)			
Pitango Principals Fund III (USA) L.P. (ff)	130,437	130,437	130,437
Pitango Venture Capital Fund III Trusts 2000 Ltd. (ff)	260,758	260,758	260,758
CRV Partnerships XI LP (gg)	4,576,207	4,576,207	4,576,207
CRV Friends XI-A LP (gg)	115,589	115,589	115,589
CRV Friends XI-B LP (gg)	24,314	24,314	24,314
Platinum Venture Capital LTD (hh)	772,922	772,922	772,922
Danbar Tech 2001 L.P. (hh)	212,359	212,359	212,359
Shrem Fudim Kelner Trust Company Ltd. (hh)	161,675	161,675	161,675
SFKT I LP (hh)	148,651	148,651	148,651
Shrem Fudim Kelner Technologies Ltd (hh)	403,261	403,261	403,261
SVM Star Ventures Managementgesellschaft mbH Nr. 3 (z)	109,468	109,468	109,468
SVE Star Ventures Enterprises GmbH & Co. No. IX KG (z)	3,657,956	3,657,956	3,657,956

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Star
Management
of
Investments
No. II (2000)

L.P. (z)	394,689	394,689				394,689		
Broadband Associates Inc.	31,467	31,467				31,467		
Pini Sabach	700,000	700,000				700,000		
Nissim Atias	950,000	950,000				950,000		
Dror Yagil	400,000	400,000				400,000		
Yossi Azencot	160,000	160,000				160,000		
Uri Sabag	160,000	160,000				160,000		
David Proskorovsky	90,000	90,000				90,000		
Doron Harel	90,000	90,000				90,000		
Dayan Rahamim	90,000	90,000				90,000		
Yuval Adam	40,000	40,000				40,000		
Amir Alter	40,000	40,000				40,000		
Shimshon Baruch	40,000	40,000				40,000		
Orit Basov	40,000	40,000				40,000		
Shimon Cohen	40,000	40,000				40,000		
David Gadensky	40,000	40,000				40,000		
Shlomo Breiness	40,000	40,000				40,000		
Orit Halevy	20,000	20,000				20,000		
Vladimir Agronovitch	20,000	20,000				20,000		
Yossi Sitbon	20,000	20,000				20,000		
Ravit Ben Shitrit	20,000	20,000				20,000		
Totals	64,688,820	43,960,020	56,485,365	6,266,932	99,830,330	206,542,647	26,839,911	7.90

(1)

Assumes all of the shares of common stock offered are sold. Based on 134,741,098 shares of common stock issued and outstanding on March 30, 2007.

(a)

Eliezer Kuperman has sole dispositive and voting power in Beth Medrash Govoha of Lakewood.

(b)

Barry Singer has sole dispositive and voting power in Chancellor Apartments LLC.

(c)

Mark Mueller has sole dispositive and voting power in Mueller & Company Inc.

(d)

Yisroel Kellner has sole dispositive and voting power in Shalom Torah Centers.

(e)

Sid Tarrabain has sole dispositive and voting power in Sid M Tarrabain Professional Corporation.

(f)

Moses Elias has sole dispositive and voting power in Keren MYCB Elias Foundation.

(g)

David Fuchs and Michael Crow share dispositive and voting power in Brides & Pipes LLC.

(h)

Bushido Capital Partners, Ltd., as the general partner of Bushido Capital Master Fund LP, has sole dispositive and voting power in Bushido Capital Master Fund LP. Christopher Rossman and Louis Rabman share dispositive and voting power in Bushido Capital Partners, Ltd. and therefore share dispositive and voting power in Bushido Capital Master Fund LP.

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(i)

Richard Smithline has sole dispositive and voting power in CAMOFI Master LDC.

(j)

Steve Slawson and Walter Schenker share dispositive and voting power in TCMP3 Partners.

(k)

Richard Han, Shad Stastney, John Succo and Sky Lucas share dispositive and voting power in Vicis Capital Series.

(l)

Jonathan Knight has sole dispositive and voting power in Gamma Opportunity Capital Partners LP.

(m)

Eli Schick and Zvi Raskin share dispositive and voting power in Unity Capital.

(n)

Andre Zolty has sole dispositive and voting power in Anfel Trading Limited.

(o)

Mark Mueller and Shoshana Englander share dispositive and voting power in Merit Consulting LLC.

(p)

Michael Crow has sole dispositive and voting power in MW Crow Family LP.

(q)

David Fuchs has sole dispositive and voting power in Duncan Capital LLC.

(r)

David Fuchs has sole dispositive and voting power in Cambria Capital LLC.

(s)

Dian Griesel has sole dispositive and voting power in Investor Relations Group.

(t)

Howard Klein and Adam Rosen share dispositive and voting power in RK Equity.

(u)

John Shields has sole dispositive and voting power in John Douglas Shields Professional Corporation.

(v)

Yosi Lahad has sole dispositive and voting power in LahadStar Ltd..

(w)

Ron Mizeahi has sole dispositive and voting power in ORM Communications Ltd.

(x)

Yossi Sela, Ed Mlavsky, and David Cohen dispositive and voting power in the Gemini Venture Capital Group.

(y)

Nochi Dankner, Shelley Bergman, Ruth Manor, and Avraham Livnat share dispositive and voting power in the IDB Infinity Venture Capital Group.

(z)

Barel Meir has sole dispositive and voting power in the SVM Star Venture Capital Fund Group.

(aa)

David Goldschmidt has sole dispositive and voting power in the Valley Venture Capital L.P.

(bb)

Christopher Rossman has sole dispositive and voting power in Pierce Diversified Strategy Master Fund, LLC Series BUS

(cc)

Evan Schemenauer has sole dispositive and voting power in Whalehaven Capital Fund Limited

(dd)

Courtlandt Miller has sole dispositive and voting power in Oceana Partners, LLC

(ee)

Gideon Argaman has sole dispositive and voting power in Rmicom Ltd.

(ff)

Isaac Hiller has sole dispositive and voting power in the Pitango Venture Capital Group.

(gg)

Izhar Armony, Christopher Baldwin, Richard M. Burnes, Jr., Ted R. Dintersmith, Bruce I. Sachs, William P. Tai and Michael J. Zak share dispositive and voting power in the Charles River Ventures Group.

(hh)

Shuki Gleitman has sole dispositive and voting power in the Platinum Venture Capital Group.

We may require the selling security holders to suspend the sales of the securities offered by this prospectus upon the occurrence of any event that makes any statement in this prospectus or the related registration statement untrue in any material respect or that requires the changing of statements in these documents in order to make statements in those documents not misleading.

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PLAN OF DISTRIBUTION

The selling stockholders may, from time to time, sell all or a portion of the shares of common stock on any market upon which the common stock may be listed or quoted (currently the OTC Bulletin Board), in privately negotiated transactions or otherwise. Such sales may be at fixed prices prevailing at the time of sale, at prices related to the market prices or at negotiated prices. The shares of common stock being offered for resale by this prospectus may be sold by the selling stockholders by one or more of the following methods, without limitation:

(a)

block trades in which the broker or dealer so engaged will attempt to sell the shares of common stock as agent but may position and resell a portion of the block as principal to facilitate the transaction;

(b)

purchases by broker or dealer as principal and resale by the broker or dealer for its account pursuant to this prospectus;

(c)

an exchange distribution in accordance with the rules of the applicable exchange;

(d)

ordinary brokerage transactions and transactions in which the broker solicits purchasers;

(e)

privately negotiated transactions;

- (f) market sales (both long and short to the extent permitted under the federal securities laws);
- (g) at the market to or through market makers or into an existing market for the shares;
- (h) through transactions in options, swaps or other derivatives (whether exchange listed or otherwise); and
- (i) a combination of any of the aforementioned methods of sale.

In the event of the transfer by any of the selling stockholders of its secured convertible notes, share purchase warrants or shares of common stock to any pledgee, donee or other transferee, we will amend this prospectus and the registration statement of which this prospectus forms a part by the filing of a post-effective amendment in order to have the pledgee, donee or other transferee in place of the selling stockholder who has transferred his, her or its shares.

In effecting sales, brokers and dealers engaged by the selling stockholders may arrange for other brokers or dealers to participate. Brokers or dealers may receive commissions or discounts from a selling stockholder or, if any of the broker-dealers act as an agent for the purchaser of such shares, from a purchaser in amounts to be negotiated which are not expected to exceed those customary in the types of transactions involved. Broker-dealers may agree with a selling stockholder to sell a specified number of the shares of common stock at a stipulated price per share. Such an agreement may also require the broker-dealer to purchase as principal any unsold shares of common stock at the price required to fulfil the broker-dealer commitment to the selling stockholder if such broker-dealer is unable to sell the shares on behalf of the selling stockholder. Broker-dealers who acquire shares of common stock as principal may thereafter resell the shares of common stock from time to time in transactions which may involve block transactions and sales to and through other broker-dealers, including transactions of the nature described above. Such sales by a broker-dealer could be at prices and on terms then prevailing at the time of sale, at prices related to the then-current market price or in negotiated transactions. In connection with such resales, the broker-dealer may pay to or receive from the purchasers of the shares commissions as described above.

The selling stockholders and any broker-dealers or agents that participate with the selling stockholders in the sale of the shares of common stock may be deemed to be "underwriters" within the meaning of the Securities Act in connection with these sales. In that event, any commissions received by the broker-dealers or agents and any profit on the resale of the shares of common stock purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act.

From time to time, any of the selling stockholders may pledge shares of common stock pursuant to the margin provisions of customer agreements with brokers. Upon a default by a selling stockholder, their broker may offer and sell the pledged shares of common stock from time to time. Upon a sale of the shares of common stock, the selling stockholders intend to comply with the prospectus delivery requirements under the Securities Act by delivering a prospectus to each purchaser in the transaction. We intend to file any amendments or other necessary documents in compliance with the Securities Act which may be required in the event any of the selling stockholders defaults under any customer agreement with brokers.

To the extent required under the Securities Act, a post effective amendment to this registration statement will be filed disclosing the name of any broker-dealers, the number of shares of common stock involved, the price at which the common stock is to be sold, the commissions paid or discounts or concessions allowed to such broker-dealers, where applicable, that such broker-dealers did not conduct any investigation to verify the information set out or incorporated by reference in this prospectus and other facts material to the transaction.

We and the selling stockholders will be subject to applicable provisions of the Exchange Act and the rules and regulations under it, including, without limitation, Rule 10b-5 and, insofar as a selling stockholder is a distribution participant and we, under certain circumstances, may be a distribution participant, under Regulation M. All of the foregoing may affect the marketability of the common stock. See below under Regulation M for a discussion on this regulation.

All expenses of the registration statement including, but not limited to, legal, accounting, printing and mailing fees are and will be borne by us. Any commissions, discounts or other fees payable to brokers or dealers in connection with any sale of the shares of common stock will be borne by the selling stockholders, the purchasers participating in such transaction, or both.

Any shares of common stock covered by this prospectus which qualify for sale pursuant to Rule 144 under the Securities Act, as amended, may be sold under Rule 144 rather than pursuant to this prospectus. In general, under Rule 144, any person (or persons whose shares are aggregated) including persons deemed to be affiliates, whose restricted securities have been fully paid for and held for at least one year from the later of the date of issuance by us or acquisition from an affiliate, may sell such securities in broker's transactions or directly to market makers, provided that the number of shares sold in any three-month period may not exceed the greater of one percent of the then-outstanding shares of our common stock or the average weekly trading volume of our shares of common stock in the over-the-counter market during the four calendar weeks preceding the sale. Sales under Rule 144 are also subject to certain notice requirements and the availability of current public information about our company. After two years have elapsed from the later of the issuance of restricted securities by us or their acquisition from an affiliate, such securities may be sold without limitation by persons who are not affiliates under the rule.

Blue Sky Restrictions on Resale

If a selling security holder wants to sell shares of our common stock under this registration statement in the United States, the selling stockholders will need to comply with state securities laws, also known as Blue Sky laws with regard to secondary sales. All states offer a variety of exemptions from registration of secondary sales. Many states, for example, have an exemption for secondary trading of securities registered under Section 12(g) of the Securities Exchange Act of 1934 or for securities of issuers that publish continuous disclosure of financial and non-financial information in a recognized securities manual, such as Standard & Poor's. The broker for a selling stockholder will be able to advise the stockholder as to which states have an exemption for secondary sales of our common stock.

Any person who purchases shares of our common stock from a selling stockholder pursuant to this prospectus, and who subsequently wants to resell such shares will also have to comply with Blue Sky laws regarding secondary sales.

Regulation M

During such time as we may be engaged in a distribution of any of the shares we are registering by this registration statement, we are required to comply with Regulation M. In general, Regulation M precludes any selling security holder, any affiliated purchasers and any broker-dealer or other person who participates in a distribution from bidding for or purchasing, or attempting to induce any person to bid for or purchase, any security which is the subject of the distribution until the entire distribution is complete. Regulation M defines a distribution as an offering of securities that is distinguished from ordinary trading activities by the magnitude of the offering and the presence of special selling efforts and selling methods. Regulation M also defines a distribution participant as an underwriter, prospective underwriter, broker, dealer, or other person who has agreed to participate or who is participating in a distribution.

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Regulation M under the Exchange Act prohibits, with certain exceptions, participants in a distribution from bidding for or purchasing, for an account in which the participant has a beneficial interest, any of the securities that are the subject of the distribution. Regulation M also governs bids and purchases made in order to stabilize the price of a security in connection with a distribution of the security. We have informed the selling shareholders that the anti-manipulation provisions of Regulation M may apply to the sales of their shares offered by this prospectus, and we have also advised the selling shareholders of the requirements for delivery of this prospectus in connection with any sales of the common stock offered by this prospectus.

Penny Stock Rules

The Securities Exchange Commission has also adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a price of less than \$5.00 (other than securities registered on certain national securities exchanges or quoted on the NASDAQ system provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system).

The shares offered by this prospectus constitute penny stock under the Securities and Exchange Act. The shares will remain penny stock for the foreseeable future. The classification of penny stock makes it more difficult for a broker-dealer to sell the stock into a secondary market, which makes it more difficult for a purchaser to liquidate his or her investment. Any broker-dealer engaged by the purchaser for the purpose of selling his or her shares in our company will be subject to the penny stock rules.

The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from those rules, deliver a standardized risk disclosure document prepared by the Commission, which:

- contains a description of the nature and level of risk in the market for penny stocks in both public offerings and secondary trading;
- contains a description of the broker's or dealer's duties to the customer and of the rights and remedies available to the customer with respect to a violation to such duties or other requirements;
- contains a brief, clear, narrative description of a dealer market, including bid and ask prices for penny stocks and the significance of the spread between the bid and ask price;
- contains a toll-free telephone number for inquiries on disciplinary actions;
- defines significant terms in the disclosure document or in the conduct of trading penny stocks; and
- contains such other information and is in such form (including language, type, size, and format) as the Commission shall require by rule or regulation.

The broker-dealer also must provide, prior to effecting any transaction in a penny stock, the customer:

- with bid and offer quotations for the penny stock;
- the compensation of the broker-dealer and its salesperson in the transaction;
- the number of shares to which such bid and ask prices apply, or other comparable information relating to the depth and liquidity of the market for such stock; 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 prior to a transaction in a penny stock not otherwise exempt from those rules; the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written acknowledgment of the receipt of a risk disclosure statement, a written agreement to transactions involving penny stocks, and a signed and dated copy of a written suitability statement. These disclosure requirements will have the effect of reducing the trading activity in the secondary market for our stock because it will be subject to these penny stock rules. Therefore, stockholders may have difficulty selling those securities.

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Canadian Resale Restrictions

As our principal executive offices are located in British Columbia, Canada, distributions of our securities are subject to the securities laws of British Columbia and Canada. In addition, we are a reporting with the Securities commissions of the Provinces of British Columbia and Alberta. Under Canadian provincial laws, most securities distributed by a company that is reporting under the securities laws of a province, are subject to a hold period of four months from the date of issuance. In the case of securities that are exercisable or convertible into common stock, the underlying common stock has the same hold period as the original security. Accordingly, unless the hold period does not apply, selling shareholders that have not held their securities for at least four months may not lawfully resell those securities into Canada until expiry of the four month hold period. Where the four month hold period is applicable and not expired, we may place a legend denoting the hold period on the certificate representing common stock acquired by a selling shareholder on exercise or conversion of warrants or convertible debt.

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LEGAL PROCEEDINGS

Other than as set forth below, we know of no material, active or pending legal proceedings against our company, nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which any of our directors, officers or affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to our interest.

The Corporation is currently a party to two actions in the Supreme Court of British Columbia, Vancouver Registry, brought by two different suppliers of the Corporation for approximately \$550,000 in total.

The Corporation provides for costs related to contingencies when a loss is probable and the amount is reasonably determinable. It is the opinion of management, based in part on advice of legal counsel, that the ultimate resolution of these contingencies, to the extent not previously provided for, will not have a material adverse effect on the financial condition of the Corporation.

DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS

All directors of our company hold office until the next annual general meeting of the shareholders or until their successors are elected and qualified. The officers of our company are appointed by our board of directors and hold office until their earlier death, retirement, resignation or removal.

Our directors, executive officers and other significant employees, their ages, positions held and duration each person has held that position, are as follows:

Name	Position Held with the Company	Age	Date First Elected or Appointed
<i>Ilan Kenig</i>	<i>President, Chief Executive Officer and Director</i>	<i>45</i>	<i>President on April 1, 2002 and Chief Executive Officer on October 31, 2002</i>
<i>Andrew James Chamberlain</i>	<i>Corporate Secretary, Director</i>	<i>44</i>	<i>October 28, 2002</i>
<i>Ken Maddison</i>	<i>Director</i>	<i>65</i>	<i>October 29, 1998</i>
<i>Victor Halpert</i>	<i>Director</i>	<i>46</i>	<i>October, 12, 2004</i>

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<i>Doron Nevo</i>	<i>Director</i>	<i>50</i>	<i>July 11, 2002</i>
<i>David Goldschmidt</i>	<i>Director</i>	<i>40</i>	<i>August 17, 2006</i>
<i>Amir Gal-Or</i>	<i>Director</i>	<i>44</i>	<i>August 17, 2006</i>

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Business Experience

The following is a brief account of the education and business experience of each director, executive officer and key employees during at least the past five years, indicating each person's principal occupation during the period, and the name and principal business of the organization by which he or she was employed.

Ilan Kenig - President, Chief Executive Officer and Director

Mr. Kenig has over 18 years of legal, venture capital and investment banking experience 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 law firm in Tel-Aviv representing mostly technology and telecommunications interests. Mr. Kenig holds a law degree from Bar-Ilan University. Mr. Kenig also serves on the board of Euroweb International Corp, a NASDAQ listed Technology Company.

Ken Maddison - Director

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 between 1977 and 1997. In public practice for over 30 years, Mr. Maddison provided auditing, accounting and business advisory services to a wide range of clients in the private and public sectors. Since September 1997, Mr. Maddison has been self-employed as a consultant providing various financial advisory services. He is also a director and audit committee chairman for Northern Continental Resources Inc, Northern Hemisphere Development Inc, and Datec Group Ltd. (formerly Brocker Technology Group Ltd).

Andrew James Chamberlain - Director, Corporate Secretary

Mr. Chamberlain is an attorney practicing law in Edmonton, Alberta, and a partner with the law firm of Chamberlain Hutchison since 1997. Mr. Chamberlain is a sessional instructor in corporate securities at the University of Alberta law school. Mr. Chamberlain is a director of Loma Oil & Gas Ltd., a company listed on the TSX Venture Exchange.

Victor Halpert - Director

Victor Halpert brings nearly 15 years of financial and accounting experience to the Company's board of directors. From June, 1999 until January 2003, he has served as an equity research analyst with Salomon Smith Barney, Robertson Stephens, Salomon Brothers and Israel Equity Research & Management Ltd. and previously as an accountant with Arthur Anderson LLC. As a highly regarded equity research analyst, Mr. Halpert primarily covered Israeli technology and telecommunications companies. Since leaving his position as Director - Equity Research, Israel Technology Analyst for Salomon Smith Barney in New York, Mr. Halpert has been managing a small hedge fund that specializes in global growth companies. He holds a Master of Business Administration degree from the University of Chicago and a Master of Science in Accounting degree from the University of Illinois at Chicago.

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Doron Nevo - Director

Mr. Nevo brings more than 20 years of business experience in high technology and telecommunications companies to the Company's board of directors. Currently, Mr. Nevo is President and CEO of KiloLambda Technologies, Ltd. an optical subsystems company he founded in early 2001. From July 1999 to January 2001, Mr. Nevo was the President and CEO of D.FourD., Ltd., a venture capital investment company. From March 1996 to June 1999, 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. From February 1992 to February 1996, 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. (a telecommunication technology company), Elcom Technologies (a manufacturer of Satcom and Digital Radio synthesizers), and Notox, Ltd. (a biotech company). Mr. Nevo received a B.Sc. in Electrical Engineering from the Technion and an M.Sc. in Telecommunications Management from Brooklyn Polytechnic.

David Goldschmidt - Director

Mr. Goldschmidt is General Partner for Valley Venture Capital, LP. Valley was created in 2006 by the Spin Off of the venture capital portfolio of Mofet Israel Technology Fund. Mr. Goldschmidt served as Managing Partner for Mofet since 2001, and was promoted to Chief Executive Officer of the firm in 2003. Prior to joining Mofet, Mr. Goldschmidt served as Vice President for ADC Telecommunications (Israel), a global supplier of broadband equipment and solutions for communications providers. In his previous position, Mr. Goldschmidt managed the Business Development group for Teledata Communications Ltd. (which was acquired by ADC). Mr. Goldschmidt holds a B.Sc. in Physics & Mathematics, and a M.Sc in Solid State Physics from the Tel Aviv University, Israel.

Amir Gal-Or - Director

Mr. Gal-Or is a Managing Partner of Infinity Venture Capital, an Israel based venture capital firm. Prior to joining Infinity Venture Capital, Mr. Gal-Or was CEO of MATI High Tech Group/MATI Raanana, and was the Chairman of the Board for the nationwide Israeli Business Development Center (BDC) network. Prior to MATI, Amir Gal-Or founded and sold two high-tech startup companies. Amir serves as a director or observer of the boards of Shellcase, Proneuron, Celletra Ltd. and Beepcard. Mr. Gal-Or holds an MBA from Tel Aviv University and a BA in Economics and Business Administration, and graduated a Harvard University program in venture capital and private equity investments

Family Relationships

There are no family relationships among our directors or officers.

The Company has a separately designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. Serving on the Committee are Ken Maddison and Victor Halpert, and there is one vacancy. The Board of Directors had determined that Mr. Maddison serves on the audit committee as a financial expert. Mr. Maddison and Victor Halpert are independent directors as defined in Item 7(d)(3)(iv) of Schedule 14A.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of March 30, 2007, certain information with respect to the beneficial ownership of our shares of Common Stock by each shareholder known to us to be the beneficial owner of 5% of our shares of Common Stock, and by each of our officers and directors. Each person has sole voting and investment power with respect to the shares of Common Stock, except as otherwise indicated. Beneficial ownership consists of a direct interest in the shares of Common Stock, except as otherwise indicated.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percentage of Class⁽¹⁾
Ilan Kenig 177 Telegraph Rd #248 Bellingham, WA 98226	3,059,556 ⁽²⁾	2.22
Dallas Pretty 462 W21st Vancouver, BC V5Y 2E6	916,667 ⁽³⁾	Nil*
Doron Nevo 15 Yakov Hazan Raana, Israel 43563	360,952 ⁽⁴⁾	Nil*
Ken Maddison 2591 Lund Avenue Coquitlam, BC V3K 6J8	572,619 ⁽⁵⁾	Nil*
Victor Halpert 79 Madison Avenue, 6 TH Floor New York, NY 10016	159,643 ⁽⁶⁾	Nil*
Andrew Chamberlain 9222 - 183B Street Edmonton, AB T5J 3Z7	232,638 ⁽⁷⁾	Nil*

William Weidman
136 Shorewood Drive
Great Neck, NY 11021

22,631,836 ⁽⁸⁾

14.38%

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Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percentage of Class ⁽¹⁾
Amir Gal-Or 3 Azrieli Center Triangle Tower 42nd floor Tel Aviv 67023 Israel	Nil	Nil*
David Goldschmidt ⁽¹³⁾ 11 Galgaley Haplada St. Herziliya Pituach 46733 Israel	Nil	Nil*
IDB Infinity Venture Capital Group 3 Azrieli Center Triangle Tower 42nd floor Tel Aviv 67023 Israel	30,910,314 ⁽¹⁰⁾	18.66%
Gemini Venture Capital Group 9 Hamenofim Street Herzliya Pituach 46725 Israel	13,909,655 ⁽¹¹⁾	9.36%
SVM Star Venture Capital Group	63,310,601 ⁽¹²⁾	31.97%

11 Galgaley Haplada St.

Herziliya Pituach 46733

Israel

Valley Venture Capital L.P

24,306,242 ⁽¹³⁾

15.28%

11 Galgaley Haplada St.

Herziliya Pituach 46733

Israel

Directors and Executive Officers as a
Group

5,302,075 ⁽⁹⁾

3.79%

Nil* - less than 1%

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(1)

Based on 134,741,098 shares of common stock issued and outstanding as of March 30, 2007. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Except as otherwise indicated, we believe that the beneficial owners of the common stock listed above, based on information furnished by such owners, have sole investment and voting power with respect to such shares, subject to community property laws where applicable.

(2)

Includes options to acquire an aggregate of 2,308,334 shares of common stock exercisable within sixty days.

(3)

Includes options to acquire an aggregate of 666,667 shares of common stock exercisable within sixty days. Effective March 31, 2007, Mr. Dallas Pretty resigned as Chief Financial Officer.

(4)

Includes options to acquire an aggregate of 213,333 shares of common stock exercisable within sixty days.

(5)

Includes options to acquire an aggregate of 292,500 shares of common stock exercisable within sixty days.

(6)

Includes options to acquire an aggregate of 99,167 shares of common stock exercisable within sixty days.

(7)

Includes options to acquire an aggregate of 200,000 shares of common stock exercisable within sixty days.

(8)

Includes warrants to acquire an aggregate of 2,210,300 shares of common stock exercisable within sixty days and 1,562,500 shares of common stock underlying a secured convertible note.

(9)

Includes options to acquire an aggregate of 3,780,001 shares of common stock exercisable within sixty days

(10)

Includes 1,309,156 shares of common stock underlying convertible notes, warrants to acquire 9,753,307 shares of common stock exercisable within sixty days and 19,847,851 Series B preferred shares convertible to common shares. The natural persons who share voting control and investment power on behalf of the general partner, Infinity Venture Capital Group are Nochi Dankner, Shelley Bergman, Ruth Manor, and Avraham Livnat.

(11)

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Includes 582,156 shares of common stock underlying convertible notes, warrants to acquire 4,209,978 shares of common stock exercisable within sixty days and 9,117,521 Series B preferred shares convertible to common shares. The natural persons who share voting control and investment power on behalf of the general partner, Gemini Venture Capital Group, are Yossi Sela, Ed Mlavsky and David Cohen.

(12)

Includes 2,530,111 shares of common stock underlying convertible notes, warrants to acquire 18,296,846 shares of common stock exercisable within sixty days and 38,321,531 Series B preferred shares convertible to common shares. The natural person who has voting control and investment power on behalf of the general partner of SVM Star Venture Capital Management is Barel Meir.

(13)

Includes 1,041,422 shares of common stock underlying convertible notes, warrants to acquire 7,531,206 shares of common stock exercisable within sixty days and 15,733,614 Series B preferred shares convertible to common shares. David Goldschmidt, a director of the Company, is the General Partner of Valley Venture Capital L.P. and in this capacity exercises voting rights on behalf of the fund.

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DESCRIPTION OF SECURITIES

We are authorized to issue 400,000,000 shares of common stock \$0.001 par value and up to 5,000,000 shares of preferred stock on such terms as the Board may determine. As at March 30, 2007, we had 134,741,098 shares of common stock outstanding, 20,000 Series A convertible non-redeemable preferred shares and 90,000 Series B convertible non-redeemable preferred shares. Each share of the Series A preferred stock is automatically converted into 1,000 shares of common stock upon approval of an increase of authorized share capital. Each share of the Series B preferred stock is convertible into 1,000 shares of common stock and will be automatically converted into 1,000 shares of common stock on the earlier of the election of the holder or 30 days following the Corporation's second annual general meeting.

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. All outstanding shares of our common stock are duly authorized, validly issued, fully paid and non-assessable.

The holders of outstanding shares of common stock are entitled to receive dividends out of assets legally available 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. We have not declared any dividends since incorporation and do not anticipate that we will do so in the foreseeable future. We are restricted from declaring dividends on our common shares pursuant to a Convertible Note and Warrant Purchase Agreements dated August 31, 2004, February 11, 2005, March 24, 2005, February 28, 2006, and December 13, 2006 for so long as any of these issued convertible notes are outstanding.

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

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.

INTEREST OF NAMED EXPERTS AND COUNSEL

No expert or counsel named in this prospectus as having prepared or certified any part of this prospectus or having given an opinion upon the validity of the securities being registered or upon other legal matters in connection with the registration or offering of the common stock was employed on a contingency basis or had, or is to receive, in connection with the offering, a substantial interest, directly or indirectly, in the registrant or any of its parents or subsidiaries. Nor was any such person connected with the registrant or any of its parents, subsidiaries as a promoter, managing or principal underwriter, voting trustee, director, officer or employee.

This prospectus and registration statement contains the consolidated financial statements as at December 31, 2006 and 2005 and for the years then ended that are contained in this prospectus and registration statement have been audited by KPMG LLP, independent registered public accounting firm as set forth in their report accompanying the consolidated financial statements and have been included herein in reliance upon such report, and upon the authority of said firm as experts in accounting and auditing. The audit report covering the December 31, 2006 consolidated financial statements contains an explanatory paragraph that states our recurring losses from operations raise substantial doubt about our ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of that uncertainty.

Morton and Company provided the opinion attached hereto as Exhibit 5.1 stating that the securities being sold pursuant to the Registration Statement are duly authorized and will be, when issued in the manner described in the Registration Statement, legally and validly issued, fully paid and non-assessable.

LEGAL MATTERS

The validity of the shares of common stock being offered hereby was passed upon for us by Morton & Company.

**DISCLOSURE OF COMMISSION POSITION OF 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.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "Act") may be permitted to directors, officers and controlling persons of the small business issuer pursuant to the foregoing provisions, or otherwise, the small business issuer has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable.

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DESCRIPTION OF BUSINESS

In this annual report and in our financial statements all dollar amounts refer to United States dollars unless otherwise specified.

Business Development

Unity Wireless Corporation (Unity , the Corporation or the Company) was incorporated in the State of Delaware on October 1, 1998 under the name Sonic Systems Corporation. Sonic Systems Corporation changed its name to Unity Wireless Corporation on July 17, 2000.

During the period from December 1998 until June 2001 we were engaged in the traffic control business. In November 2000 we entered the business of designing, developing and manufacturing RF (Radio Frequency) power amplifiers for the wireless network infrastructure industry. During 2001, we focused on developing new products and expanding our marketing, sales and global distribution network. Since 2003, we have focused on securing development projects and supply agreements with customers and prospective customers, and on developing new RF power amplifiers and related products.

The Company acquired three companies in fiscal 2006 as described below:

On June 8, 2006, the Company completed the merger by and among the Company, Unity Wireless Microwave Systems Ltd. (UW Microwave), an Israeli corporation and a wholly owned subsidiary of the Company, and Avantry Ltd. (Avantry), pursuant to the terms of a merger agreement entered into by and among the parties effective February 15, 2006 (Merger Agreement). Under the term of the Merger Agreement, Unity Wireless Corporation acquired all of the assets of Avantry in exchange for \$1,750,000 of convertible promissory notes that are convertible into common stock at \$0.25 per shares and warrants to purchase an aggregate of 600,000 shares of common stock at an exercise price of \$0.40.

On July 3, 2006, the Company completed the merger pursuant to the terms of a merger agreement. Under the term of the Agreement, the Company acquired the net assets of Celerica Inc. in exchange for 20,000 shares of Series A convertible non-redeemable preferred shares. Each share of the Series A preferred stock will automatically convert into 1,000 shares of common stock. The preferred shares have been initially valued at a fair value of \$2,000,000 based on multiplying the stock price as of the date of the agreement by the number of common stock that the preferred stock is convertible into.

On August 17, 2006, the Company completed the merger pursuant to the terms of a merger agreement. Under the term of the Agreement, the Company acquired the net assets of Celletra Ltd. in exchange for 90,000 shares of Series B convertible non-redeemable preferred shares and warrants to purchase 40,000,000 shares of common stock (or 40,000 shares of Series B Convertible Shares should there not be sufficient authorized shares of common stock). Each share of the Series B preferred stock will automatically convert into 1,000 shares of common stock. The preferred shares have been initially valued at a fair value of \$9,000,000 based on multiplying the stock price as of the date of the agreement and the closing date by the number of non contingent and contingent common stock, respectively, which the preferred stock is convertible into. The warrants have been initially valued at a fair value of \$2,026,533 calculated using the Black-Scholes valuation model.

*Our Current Business**Principal Products*

Unity Wireless products are divided into two main product lines; the first is coverage enhancement solutions (CES), such as repeaters, tower mounted amplifiers, and point to point microwave that are utilized by Wireless Network Operators to extend coverage and manipulate capacity so that their overall network performance is enhanced in the most cost effective manner. The second line of Unity's business is supplying high power amplifiers (HPA) and related subsystems to the large Original Equipment Manufacturers (OEM) of base transceiver stations (BTS or base stations). Base stations are the main radio system in any wireless network and Unity has developed over 40 HPA models that are used in cellular, personal communication services (PCS), paging, wireless local loop (WLL) and third generation (3G) BTSs. Almost all of the OEM products are custom made or adapted to satisfy each OEM customer's particular requirements.

In 2006, ten percent and ninety percent of our assets and principal business operations are located in British Columbia, Canada and Israel, respectively. Revenues from operations were approximately \$7,343,552 in the year ended December 31, 2006 and \$4,905,579 in the year ended December 31, 2005. A summary of sales by geographic region for the years ended December 31, 2006 and 2005 is as follows:

<u>Place</u>	<u>2006 Sales</u>	<u>% of Total 2006 Sales</u>	<u>2005 Sales</u>	<u>% of Total 2005 Sales</u>
Israel	\$275,000	4%	\$69,000	1%
United States	1,242,000	17%	1,903,000	39%
China	1,068,000	15%	2,346,000	48%
Canada	1,008,000	14%	588,000	12%
Hungary	2,200,000	30%	-	-
India	146,000	2%	-	-
Peru	110,000	1%	-	-
Turkey	234,000	3%	-	-
Russia	81,000	1%	-	-
Indonesia	660,000	9%	-	-
Other	319,000	4%	-	-

Product Research and Development

During the years ended December 31, 2006 and 2005, we spent \$3,383,430 and \$2,532,976, respectively, on research and development activities, including stock-based compensation expenses of \$53,087 and \$57,059, respectively.

In the most recent two years, we have augmented our research and development capabilities by adding experienced hardware and software engineers to our product development team. We devote a large portion of our research and development resources towards next generation products and towards developing products for customers that we consider to have long-term revenue and growth potential.

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Sales and Marketing of Our Products

We sell our products through independent sales agents who are paid on a commission basis and through sales individuals who are employed on a full time basis. We seek to identify and engage sales representatives who will sell our products in additional markets.

Our sales to date have been by way of purchase orders that typically cover periods ranging from several months to one year. We have no sales agreements that extend beyond one year.

Manufacturing and Suppliers

We subcontract a large portion of our manufacturing processes to qualified companies with a history of quality assurance. This reduces the need for capital expenditures for manufacturing facilities and staff, and allows us to utilize specialists in each stage of manufacturing. Alternate contract manufacturers are available should any of our existing contract manufacturers cease to provide services to us.

The process to assemble, test and tune many of our current products is labor intensive. We assemble, configure, tune and test our products and radio frequency circuitry in our facilities located in Burnaby, British Columbia and Yokneam, Israel for low volume prototypes and China for high volume prototypes. We rely on contract manufacturers in Canada and China for our high volume production orders.

The principal raw materials used in the production of our products are mostly standard electronic, metal and hardware components. We have from time to time experienced difficulties in obtaining raw materials and we reduce supply risk by using alternate suppliers.

Our arrangements with suppliers are on a short-term basis. To date we have not entered into any long-term arrangements.

Competition and Competitive Advantage

Within the market for RF power amplifiers and coverage enhancement solutions; there are two dominant companies and a number of smaller ones. The dominant companies Powerwave and Andrew -- collectively represent a significant portion of sales in the market. These companies are vertically integrated suppliers of RF power amplifiers, components, repeaters, and antenna systems, primarily to customers in the telecom and defense industries, and supply the largest OEM vendors and wireless carriers in our industry.

To compete, we focus on specific niches within the wireless network infrastructure, seek to enter into partnerships with leading edge technology vendors, and maintain a low overhead / outsourced manufacturing model. We believe our size, infrastructure and location allow us to provide our customers with economically attractive and timely responses to their individual requests.

Intellectual Property

We rely on a combination of patents, trademarks and trade secrets to protect our intellectual property. We execute confidentiality and non-disclosure agreements with our management and engineering employees and limit access to our proprietary information.

Trade-Marks

We use the trade-mark "Unity Wireless," which is registered in Canada. We intend to register the "Unity Wireless" trade-mark in the U.S. and other countries. We also use the trade-marks "Celletra", Celerica , and Avantry which are

registered in Israel.

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Service and Product Warranty

We offer a standard warranty of one year on parts and labor from date of shipment on our radio frequency amplifiers, and on occasion offer a warranty period of up to two years. We repair units under warranty at our cost and return the units freight prepaid back to the customer. We generally warranty a repaired unit for the remainder of the original warranty period or for one year from the repair date, whichever is longer.

Our warranties specifically exclude all liabilities for "special, incidental, direct, indirect, or consequential damages or expenses whatsoever" arising from the functioning or use of, or inability to use, the warranted products. No warranties are made in the event that product has been improperly installed, subjected to abuse or negligence, or tampered with. Consumer protection and other laws may limit our ability to limit our liability or to exclude certain types of damages.

Government Regulation

Our power amplifiers are sold as components that form part of larger systems. The manufacturer or integrator of the systems must test them for compliance with Federal Communications Commission (FCC) standards to avoid radio frequency emissions that could interfere with other radio frequency transmissions or similar regulatory standards in other countries. We do not test our amplifier products for compliance at the component level. Nonetheless, if a system in which our amplifiers are included fails to satisfy applicable standards, whether due to emissions from our amplifiers or other causes, sales of our amplifiers would be adversely affected. Our Coverage Enhancement Solutions require the Corporation to test with the FCC.

Significant Customers

We had sales of \$7,343,552 for the year ended December 31, 2006. One customer accounted for 30.0% of sales and another accounted for 13.0% of sales. No other customer accounted for more than 10.0% of our sales.

Employees

We currently employ 76 people; all of them are employed on a full-time basis.

WHERE YOU CAN FIND MORE INFORMATION

We are required to file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission. Our Securities and Exchange Commission filings are available to the public over the Internet at the SEC's website at <http://www.sec.gov>.

You may also read and copy any materials we file with the Securities and Exchange Commission at the SEC's public reference room at 450 Fifth Street N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference rooms.

We have filed with the Securities and Exchange Commission a registration statement on Form SB-2, under the Securities Act with respect to the securities offered under this prospectus. This prospectus, which forms a part of that registration statement, does not contain all information included in the registration statement. Certain information is omitted and you should refer to the registration statement and its exhibits. With respect to references made in this prospectus to any contract or other document of Unity Wireless, the references are not necessarily complete and you should refer to the exhibits attached to the registration statement for copies of the actual contract or document. You may review a copy of the registration statement at the SEC's public reference room. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference rooms. Our filings and the registration statement can also be reviewed by accessing the SEC's website at <http://www.sec.gov>.

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The following discussion of the financial condition, changes in financial condition, and results of operations of Unity Wireless Corporation should be read in conjunction with our most recent financial statements and notes appearing in the Form 10-KSB for the years ended December 31, 2006 and 2005, which was filed on April 17, 2007. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this registration statement, particularly in the section entitled "Risk Factors" beginning on page 6 of this prospectus.

Our consolidated financial statements are stated in United States Dollars and are prepared in accordance with United States generally accepted accounting principles.

Results of Operations

Years Ended December 31, 2006 and 2005

Sales and Cost of Goods Sold

Sales for the year ended of 2006 were \$7,343,552, of which \$5,392,552 and \$1,951,000 were recorded from Canada and Israel's operation, respectively, an overall increase of 49.70% or \$2,437,973, from \$4,905,579 for the year ended of 2005. In both our historical product lines and new product lines obtained through acquisitions we have seen a greater diversification in our customer base and geographical areas where the company sells.

Cost of goods sold during the year ended period of 2006 was \$5,596,185 resulting in a gross margin of 1,747,367 or 23.79% of net sales, compared to \$3,792,999 for the year ended of 2005 resulting in a gross margin of \$1,112,580 or 22.68% of net sales.

The increase in gross margin is largely attributed to:

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Increase in sales has resulted in increased component requirements and the company and its outsourced manufacturer have been able to negotiate better pricing due to the higher purchase volumes;

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Efficiencies and cost savings have been obtained by centralizing our manufacturing and procurement largely with one outsourced manufacturer;

-

Efficiencies and cost savings have been obtained by centralizing our final testing of products in our China facility where the company has also been able to benefit from lower payroll costs..

Cost of goods sold includes stock-based compensation expense of \$17,420 for the year ended of 2006 versus \$27,265 for the year ended of 2005.

Cost of goods sold, excluding stock based compensation expenses, attributable to Canada and Israel were \$4,162,765 and \$1,416,000, respectively. These balances include \$22,918 and \$69,241 in expenses relating to Canada and the acquired companies operations, respectively, that are salary expenses related to the recent restructuring activity that the company executed in quarter 4, 2006 in order to streamline the operations of the company globally.

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Operating Expenses

Research and Development

Research and development expenses for the year ended of 2006 were \$3,383,430, an increase of \$850,454 or 33.58%, from \$2,532,976 for the year ended of 2005. This increase was primarily the result of the additional expenses related to the acquired companies. In quarter 4, 2006, the company restructured the operations of company as described below.

Research and development expense includes stock-based compensation expense of \$53,087 for the year ended of 2006 versus \$57,095 for the year ended of 2005.

Research and development expenses, excluding stock based compensation expenses, for 2006 attributable to Canada and Israel were \$2,534,343 and \$796,000, respectively. These balances include \$16,383 and \$125,551 in expenses relating to Canada and the acquired companies operations, respectively, that are salary expenses related to the recent restructuring activity, as described below, that the company executed in Quarter 4, 2006 in order to streamline the operations of the company globally. In addition, the Company recorded a write-down of materials, of \$897,993, previously used in the research and development process, as we believe that they will not be usable in the future due to the increased company focus on current product lines and technology.

Sales and Marketing

Sales and marketing expenses for the year ended of 2006 were \$1,755,060, an increase of \$1,139,107, or 184.93%, from \$615,953 for the year ended of 2005. This increase was primarily the result of additional sales initiatives that include additional sales personnel on staff, increased travel expenses to visit new customers and additional expenses relating to the acquired businesses. In quarter 4, 2006, the company restructured the operations of company as described below.

Sales and marketing expenses include stock-based compensation expense (recovery) of \$53,694 for the year ended of 2006 versus (\$16,520) for the year ended of 2005.

Sales and marketing expenses, excluding stock based compensation expenses, attributable to Canada and Israel were \$838,366 and \$863,000, respectively. These balances include \$12,208 and \$nil in expenses relating to Canada and the acquired companies operations, respectively, that are salary expenses related to the recent restructuring activity that the company executed in quarter 4, 2006 in order to streamline the operations of the company globally.

Depreciation and Amortization

Depreciation and amortization expenses for the year ended of 2006 were \$1,824,568, an increase of \$1,558,301, or 585.24%, from \$266,267 for the year ended of 2005. This increase was primarily the result of the amortization of the intangible assets recorded relating to the acquired companies in 2006.

Exchange Loss

Exchange loss for the year ended of 2006 was \$38,728, a decrease of \$64,953, from \$103,681 for the year ended of 2005 due to fluctuations in the currency exchange rate between the U.S. and Canada.

Interest Expense

Interest expense for the year ended of 2006 increased by \$309,776 to \$586,769 from \$276,993 for the year ended of 2005. This increase was primarily the result of the increase in interest payable to note holders of the convertible

debenture issued in February of 2006 and December of 2006.

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General and Administrative

General and administrative expenses for the year ended of 2006 were \$2,449,435, an increase of \$644,368, or 35.70%, from \$1,805,067 for the year ended of 2005. This increase was primarily the result of the additional expenses relating to the acquired businesses. In quarter 4, 2006, the company restructured the operations of company as described below.

General and administrative expenses include stock-based compensation expense of \$266,387 for the year ended of 2006 versus \$590,014 for the year ended of 2005.

General and administrative expenses, excluding stock based compensation expenses, attributable to Canada and Israel were \$1,634,048 and \$549,000, respectively. &