

UNITY WIRELESS CORP  
Form SB-2/A  
April 20, 2005

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

**FORM SB-2/A**

**REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933**

**UNITY WIRELESS CORPORATION**

(Exact name of registrant as specified in its charter)

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

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

Dallas Pretty, Chief Financial Officer  
7438 Fraser Park Drive, Burnaby, British Columbia, Canada V5J 5B9 (800) 337-6642  
(Name, address and telephone number of agent for service)

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. [ ]

**CALCULATION OF REGISTRATION FEE**

| Title of each class of securities to be registered | Amount to be registered <sup>(1)</sup> | Proposed maximum offering price per share <sup>(2)</sup> | Proposed maximum aggregate offering price (US\$) | Amount of registration fee <sup>(3)</sup> |
|--|--|--|--|---|
| Common Stock, no par value                         | 35,070,669                             | \$0.28   | \$9,819,787                                      | \$1,155.79                                |

(1) Pursuant to Rule 429, this is a combined registration statement that covers 17,229,598 shares being carried forward from Registration Statements Nos. 333-119759 and 333-114817 and 17,841,071 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 March 23, 2005.

(3) A registration fee of \$295.77 was previously paid in connection with the registration of 13,731,929 shares on Registration Statement No. 333-119759 of which 13,248,929 shares are being carried forward, corresponding to a registration fee previously paid of \$285.36. In addition, a registration fee of \$817.54 was previously paid in connection with the registration of 14,500,122 shares on Registration Statement No. 333-114817 of which 3,980,669 shares are being carried forward, corresponding to a registration fee previously paid of \$224.44. A registration fee of \$645.99 is being submitted in connection with this registration statement.

(4) The account of Unity Wireless Corporation with the Securities and Exchange Commission has a credit which should be applied against the Registration Fee.

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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.

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.

PROSPECTUS

DATED APRIL 15, 2005

UNITY WIRELESS CORPORATION

35,070,669 SHARES OF COMMON STOCK OF UNITY WIRELESS CORPORATION

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The prospectus relates to the resale by certain selling stockholders of Unity Wireless Corporation of up to 35,070,669 shares of our common stock, consisting of:

- up to 15,730,500 shares issuable upon conversion of convertible notes;
- up to 13,108,881 shares issuable upon exercise of warrants;
- up to 2,818,540 shares issuable in lieu of interest on convertible notes; and
- up to 3,412,748 shares 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.

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

Our common stock is traded on the National Association of Securities Dealers OTC Bulletin Board under the symbol "UTYW". On March 23, 2005, the closing bid price of our common stock was \$0.28.

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 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 April 15, 2005.



**TABLE OF CONTENTS**

|  | PAGE NUMBER |
|--|-------------|
| PROSPECTUS SUMMARY   |             |
| RISK FACTORS   |             |
| USE OF PROCEEDS  | 6           |
| SELLING SECURITY HOLDERS   | 6           |
| PLAN OF DISTRIBUTION   |             |
| LEGAL PROCEEDINGS  | 9           |
| DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS                         | 9           |
| SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT                       | 11          |
| DESCRIPTION OF SECURITIES  | 12          |
| INTEREST OF NAMED EXPERTS AND COUNSEL  | 13          |
| DISCLOSURE OF COMMISSION POSITION OF INDEMNIFICATION FOR SECURITIES ACT LIABILITIES  | 13          |
| DESCRIPTION OF BUSINESS  |             |
| WHERE YOU CAN FIND MORE INFORMATION  | 16          |
| MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION                            |             |
| DESCRIPTION OF PROPERTY  |             |
| CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS                                       |             |
| MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS                             | 20          |
| EXECUTIVE COMPENSATION   |             |
| FINANCIAL STATEMENTS   |             |
| CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE |             |
| INDEMNIFICATION OF DIRECTORS AND OFFICERS  |             |
| OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION  |             |
| RECENT SALES OF UNREGISTERED SECURITIES  |             |
| EXHIBITS   |             |
| UNDERTAKINGS   |             |
| SIGNATURES   |             |

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 making an investment decision.

### *Our Business*

Our company, Unity Wireless Corporation, is a designer, developer and manufacturer of high power radio frequency amplifiers and related subsystems. Our principal executive offices are located at 7438 Fraser Park Drive, Burnaby, British Columbia, Canada, V5J 5B9. Our telephone number is (800) 337-6642. We maintain a website at www.unitywireless.com. Information contained on our website does not form part of this prospectus.

We have one wholly-owned subsidiary, Unity Wireless Systems Corporation, a British Columbia corporation incorporated on December 31, 2000.

### *Number of Shares Outstanding*

There were 80,522,278 shares of our common stock issued and outstanding as at March 1, 2005.

### *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 for the year ended December 31, 2004 and 2003, 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.

|                                     | <b>For the 12-months<br/>ended<br/>December 31, 2004</b> | <b>For the 12-months<br/>ended<br/>December 31, 2003</b> |
|-------------------------------------|--|--|
| Revenue                             | \$5,020,560  | \$2,375,128  |
| Net Loss for the Period             | (\$3,318,998)  | (\$3,007,950)  |
| Loss Per Share - basic and diluted  | (\$0.04)   | (\$0.07)   |
|                                     | <b>As at<br/>December 31, 2004</b>                       | <b>As at<br/>December 31, 2003</b>                       |
| Working Capital (Deficiency)        | \$111,951  | (\$375,479)  |
| Total Assets                        | \$3,178,733  | \$1,658,720  |
| Total Number of Issued Common Stock | 80,213,945   | 63,578,953   |
| Deficit                             | (\$21,822,078)   | (\$18,503,080)   |
| Total Stockholders' Equity          | \$610,821  | \$525,735  |

## **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.

*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, 2004, we had working capital of \$111,951. 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 issued in August 2004, February 2005 and March 2005.

*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, 2004 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 \$5,020,560 for the year ended December 31, 2004. Two customers accounted for 68.8% of sales with one representing 49.3% of sales and another representing 19.5% of sales. No other customer accounted for more than 10% 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.

*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.*

4

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.

*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 larger 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 for our multi-carrier linear amplifier, 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.

*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, 2004, we had accounts payable and accrued liabilities of \$1,505,012, of which approximately \$1,167,554 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 our even cease the operation of our business.

*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.

5

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**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.

**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 23, 2005, 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 35,070,669 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.

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 on notes, all of which are registered hereunder | Shares issuable upon exercise of warrants, all of which are registered hereunder | Total Shares Registered | Number of Shares Owned by Selling Stockholder After Offering and Percent of Total Issued and Outstanding (1) |            |
|-------------------------------|-------------------------------------|---|---|---|--|-------------------------|--|------------|
|                               |                                     |   |   |   |  |                         | # of Shares  | % of Class |
| Chancellor Apartments LLC (a) | 1,525,000                           | 0   | 0   | 0   | 258,750  | 258,750                 | 1,525,000  | 1.9        |
| Jeffrey Rubin                 | 435,000                             | 250,000   | 250,000   | 44,444  | 528,433  | 1,072,877               | 185,000  | <1         |
| Moshe Rosner                  | 345,000                             | 0   | 0   | 0   | 132,109  | 132,109                 | 345,000  | <1         |
|                               |                                     |   | 500,000   | 88,889  | 646,325  | 2,477,505               | 993,000  | 1.2        |

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|  |            |           |           |         |   |   |           |           |                 |
|--|------------|-----------|-----------|---------|---|---|-----------|-----------|-----------------|
| Sara Heiman                                      | 2,235,291  | 1,242,291 |           |         |   |   |           |           |                 |
| Shalom Torah Centers<br>(b)                      | 193,749    | 193,749   |           |         | 0 | 0 | 129,375   | 323,124   | 0 <1            |
| Sid Tarrabain<br>Professional<br>Corporation (c) | 0          | 0         |           |         | 0 | 0 | 33,334    | 33,334    | 0 <1            |
| Mokhlis Y. Zaki                                  | 632,632    | 0         | 0         | 0       | 0 | 0 | 50,000    | 50,000    | 632,632 <1      |
| Mueller & Company (d)                            | 0          | 0         | 0         | 0       | 0 | 0 | 166,667   | 166,667   | 0 <1            |
| Beth Medrash Govoha<br>of Lakewood (e)           | 655,726    | 655,726   |           |         | 0 | 0 | 833,333   | 1,489,059 | 0 <1            |
| Michael G. Cunniff                               | 732,115    | 72,115    | 0         | 0       | 0 | 0 | 50,000    | 122,115   | 660,000 <1      |
| Michael A. Mulshine<br>(2)                       | 707,184    | 78,462    |           |         | 0 | 0 | 350,000   | 428,462   | 628,722 <1      |
| Keren MYCB Elias<br>Foundation (f)               | 0          | 0         | 293,000   | 74,105  |   |   | 555,555   | 922,660   | 0 <1            |
| John Douglas Shields<br>Law Corporation (g) (3)  | 124,521    | 124,521   |           |         | 0 | 0 | 0         | 124,521   | 0 <1            |
| Bridges & Pipes LLC<br>(h)                       | 330,928    | 330,928   | 3,250,000 | 564,686 |   |   | 1,750,000 | 5,895,614 | 0 <1            |
| Bushido Capital Master<br>Fund, L.P. (i)         | 226,598    | 226,598   | 3,000,000 | 533,893 |   |   | 1,625,000 | 5,385,491 | 0 <1            |
| DCOFI Master LDC (j)                             | 196,026    | 196,026   | 2,687,500 | 520,940 |   |   | 1,500,000 | 4,904,466 | 0 <1            |
| William N. Weidman                               | 18,650,718 | 42,332    | 1,250,000 | 191,586 |   |   | 625,000   | 2,108,918 | 18,608,386 23.1 |
| Gamma Opportunity<br>Capital Partners, LP (k)    | 0          | 0         | 1,250,000 | 222,222 |   |   | 625,000   | 2,097,222 | 0 <1            |
| Vicis Capital Series (l)<br>TCMP3 Partners       | 0          | 0         | 750,000   | 133,333 |   |   | 375,000   | 1,258,333 | 0 <1            |
| (Titan Capital<br>Management LLC) (m)            | 0          | 0         | 750,000   | 133,333 |   |   | 375,000   | 1,258,333 | 0 <1            |
| Duncan Capital LLC<br>(n) (4)                    | 0          | 0         |           | 0       |   |   | 1,096,875 | 1,096,875 | 0 <1            |
| MW Crow Family LP<br>(o) (4)                     | 0          | 0         |           | 0       |   |   | 208,275   | 208,275   | 0 <1            |

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|                              |            |           |            |           |            |            |            |      |  |
|------------------------------|------------|-----------|------------|-----------|------------|------------|------------|------|--|
| Richard Smithline (4)        | 0          | 0         |            |           |            |            |            |      |  |
|                              |            |           | 0          | 0         | 38,874     | 38,874     | 0          | <1   |  |
| David Filer (4)              | 0          | 0         | 0          | 0         | 21,813     | 21,813     | 0          | <1   |  |
| David Skriloff (4)           | 0          | 0         | 0          | 0         | 9,163      | 9,163      | 0          | <1   |  |
| Jose Zajac                   | 0          | 0         | 250,000    | 44,444    | 125,000    | 419,444    | 0          | <1   |  |
| Nathan Herzka                | 0          | 0         | 125,000    | 22,222    | 62,500     | 209,722    | 0          | <1   |  |
| Leon Goldenberg              | 0          | 0         | 250,000    | 44,444    | 125,000    | 419,444    | 0          | <1   |  |
| Rachel Mendelovitz           | 0          | 0         | 125,000    | 22,222    | 62,500     | 209,722    | 0          | <1   |  |
| Sam Nebenzahl                | 0          | 0         | 500,000    | 88,889    | 250,000    | 838,889    | 0          | <1   |  |
| Anfel Trading Limited<br>(p) | 0          | 0         | 250,000    | 44,444    | 125,000    | 419,444    | 0          | <1   |  |
| Unity Capital (q)            | 0          | 0         | 250,000    | 44,444    | 125,000    | 419,444    | 0          | <1   |  |
| Daniel Schneierson (r)       | 0          | 0         | 0          | 0         | 50,000     | 50,000     | 0          | <1   |  |
| Merit Consulting LLC<br>(s)  | 0          | 0         | 0          | 0         | 200,000    | 200,000    | 0          | <1   |  |
| Totals                       | 26,794,658 | 3,412,748 | 15,730,500 | 2,818,540 | 13,108,881 | 35,070,669 | 23,577,740 | 29.3 |  |

6

(1)

Assumes all of the shares of common stock offered are sold. Based on 80,522,278 shares of common stock issued and outstanding on March 1, 2005.

(2)

Includes 40,000 shares of common stock newly issued for \$10,000 in consulting services rendered and are registered hereunder.

(3)

Includes 23,293 shares of common stock newly issued upon settlement of \$4,192.87 in legal services rendered.

(4)

Duncan Capital LLC received warrants to acquire 625,000 shares of common stock pursuant to an investment banking agreement in connection with the August 2004 private placement of secured convertible notes. Subsequently, Duncan Capital LLC assigned 278,125 warrants to acquire shares of common stock to: MW Crow Family LP, Richard Smithline, David Skriloff and David Filer.

(a)

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

(b)

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

(c)

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

(d)

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

(e)

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

(f)

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

(g)

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

(h)

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

(i)

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.

(j)

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

(k)

Jonathan Knight and Christopher Rossman share dispositive and voting power in Gamma Opportunity Capital Partners LP.

(l)

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

(m)

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

(n)

David Fuchs has sole dispositive and voting power in Duncan Capital LLC, a registered broker dealer. Duncan Capital LLC received warrants to acquire 1,375,000 shares of common stock as compensation for investment banking services related to private placements in August 2004 and February 2005. Duncan Capital LLC assigned warrants to acquire 278,125 shares of common stock to affiliates of Duncan Capital LLC as described in Note 4 above.

(o)

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

(p)

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

(q)

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

(r)

Daniel Schneierson was issued warrants to purchase 50,000 shares of common stock as compensation related to a private placement of secured convertible notes March 24, 2005.

(s)

Mark Mueller and Shoshana Englander share dispositive and voting power in Merit Consulting LLC. Merit Consulting LLC was issued warrants to purchase 200,000 shares of common stock as compensation related to a private placement of secured convertible notes March 24, 2005.

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.

7

### **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 National Association of Securities Dealers 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.

8

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.

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.

## **LEGAL PROCEEDINGS**

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.

## **DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS**

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

| <b>Name</b> | <b>Position Held with the Company</b> | <b>Age</b> | <b>Date First Elected or Appointed</b> |
|-------------|---------------------------------------|------------|--|
|-------------|---------------------------------------|------------|--|

*Ilan Kenig*