EXHIBITS 21 - 45
OF DECLARATION OF
CHERYL FOUNG IN SUPPORT
OF MOTION TO DISMISS
EXHIBIT 21
FORM DEF 14A

UTSTARCOM INC – UTSI

Filed: April 02, 2003 (period: May 09, 2003)

Official notification to shareholders of matters to be brought to a vote (Proxy)
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held May 9, 2003

To The Stockholders:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders (the "Annual Meeting") of UTStarcom, Inc. (the "Company"), a Delaware corporation, will be held on May 9, 2003 at 10:00 a.m., local time, at the Hilton Oakland Airport, 1 Hegenberger Road, Oakland, California 94621, for the following purposes:
1. To elect two Class III directors to serve for a term expiring on the date on which the Annual Meeting of Stockholders is held in the year 2006.

2. To ratify and approve the appointment of PricewaterhouseCoopers LLP as the independent public accountants of the Company for the fiscal year ending December 31, 2003.

3. To transact such other business as may properly come before the Annual Meeting and any adjournment or postponement thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice.

Only stockholders of record at the close of business on March 10, 2003 are entitled to notice of and to vote at the Annual Meeting.

All stockholders are cordially invited to attend the Annual Meeting in person. However, to assure your representation at the Annual Meeting, you are urged to complete, sign and return the enclosed proxy card as promptly as possible in the postage−prepaid envelope enclosed for that purpose. Any stockholder attending the Annual Meeting may vote in person even if he or she returned a proxy.

By Order of the Board of Directors

Michael J. Sophie
Assistant Secretary

Alameda, California
April 3, 2003

YOUR VOTE IS IMPORTANT

To assure your representation at the Annual Meeting, you are requested to complete, sign and date the enclosed proxy as promptly as possible and return it in the enclosed envelope, which requires no postage if mailed in the United States.

UTSTARCOM, INC.

PROXY STATEMENT

INFORMATION CONCERNING SOLICITATION AND VOTING

General

The enclosed Proxy is solicited on behalf of the Board of Directors of UTStarcom, Inc. (the "Company") for use at the Annual Meeting of Stockholders to be held May 9, 2003 at 10:00 a.m., local time (the "Annual Meeting"), or at any adjournment or postponement thereof, for the purposes set forth in this Proxy Statement and in the accompanying Notice of Annual Meeting of Stockholders. The Annual Meeting will be held at the Hilton Oakland Airport, 1 Hegenberger Road, Oakland, California 94621. The Company's telephone number at that location is (510) 635−5000.

These proxy solicitation materials and the Company's Annual Report to Stockholders for the year ended December 31, 2002 were mailed on or about April 3, 2003 to all stockholders entitled to vote at the Annual Meeting.

Record Date and Voting Securities

Only stockholders of record at the close of business on March 10, 2003 are entitled to notice of and to vote at the Annual Meeting. As of March 10, 2003, 107,069,482 shares of the Company's common stock were issued and outstanding. No shares of the Company's preferred stock were outstanding.

Revocability of Proxies

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before its use by delivering to the Assistant Secretary of the Company at the Company's principal executive offices located at 1275 Harbor Bay Parkway, Alameda, California 94502, a written notice of revocation or a duly executed proxy bearing a later date or by attending the Annual Meeting and voting in person. The mere presence at the Annual Meeting of a stockholder who has appointed a proxy will not revoke the prior appointment. If not revoked, the proxy will be voted at the Annual Meeting in accordance with the instructions indicated on the proxy card, or if no instructions are indicated, will be voted FOR the slate of directors described herein, FOR Proposal Two, and as to any other matter that may properly be brought before the Annual Meeting, in accordance with the judgment of the proxy holders.

Voting and Solicitation

Each stockholder is entitled to one vote for each share of common stock on all matters presented at the Annual Meeting. Stockholders do not have the right to cumulate their votes in the election of directors.

This solicitation of proxies is made by the Company, and all costs associated with soliciting proxies will be borne by the Company. In addition, the Company will reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation material to such beneficial owners. Proxies may be solicited by certain of the Company's directors, officers and regular employees personally or by telephone, facsimile or telegram. No additional compensation will be paid to these persons for such services.
Quorum; Abstentions; Broker Non−Votes

The required quorum for the transaction of business at the Annual Meeting is a majority of the shares of common stock issued and outstanding on the record date. All shares represented at the meeting, whether in person or by a general or limited proxy, will be counted for the purpose of establishing a quorum. While there is no definitive statutory or case law authority in Delaware as to the proper treatment of abstentions, the Company believes that abstentions should be counted for purposes of determining both (i) the presence or absence of a quorum for the transaction of business, and (ii) the total number of shares present and entitled to vote (the "Votes Cast") with respect to a proposal (other than the election of directors). In the absence of controlling precedent to the contrary, the Company intends to treat abstentions in this manner. Accordingly, abstentions will have the same effect as a vote against the proposal.

Under current Delaware case law, while broker non−votes (i.e., the votes of shares held of record by brokers as to which the underlying beneficial owners have given no voting instructions) should be counted for purposes of determining the presence or absence of a quorum for the transaction of business, broker non−votes should not be counted for purposes of determining the number of Votes Cast with respect to the particular proposal on which the broker has expressly not voted. Accordingly, the Company intends to treat broker non−votes in this manner. Thus, a broker non−vote will make a quorum more readily obtainable, but the broker non−vote will not otherwise affect the outcome of the voting on a proposal.

Deadlines for Submission of Stockholder Proposals for 2003 Annual Meeting

Stockholders of the Company are entitled to present proposals for consideration at forthcoming stockholder meetings provided that they comply with the proxy rules promulgated by the Securities and Exchange Commission (the "SEC") and the Bylaws of the Company. Stockholders wishing to present a proposal at the Company's 2004 Annual Stockholder Meeting must submit the proposal to the Company by December 5, 2003 if they wish for it to be eligible for inclusion in the proxy statement and form of proxy relating to that meeting. In addition, under the Company’s Bylaws, a stockholder wishing to make a proposal at the 2004 Annual Stockholder Meeting must submit the proposal to the Company prior to February 18, 2004.
Nominees

The authorized number of directors is currently established at six. The Company's Certificate of Incorporation provides that the directors shall be divided into three classes, with the classes serving for staggered, three-year terms. Currently there are two directors in each of Class I, II and III. Each of the two Class I directors will hold office until the 2004 Annual Meeting or until the director's successor has been duly elected and qualified, and each of the two Class II directors will hold office until the 2005 Annual Meeting or until the director's successor has been duly elected and qualified. The two Class III directors are to be elected at this Annual Meeting.

Unless otherwise instructed, the proxy holders will vote the proxies received by them for the Company's two nominees named below. Hong Liang Lu and Masayoshi Son are currently directors of the Company. In the event that any nominee of the Company becomes unable or declines to serve as a director at the time of the Annual Meeting, the proxy holders will vote the proxies for any substitute nominee who is designated by the current Board of Directors to fill the vacancy. It is not expected that any nominee listed below will be unable or will decline to serve as a director.

The names of the two Class III nominees for director and the current Class I and Class II directors with unexpired terms, their ages as of the date of this Proxy Statement and certain information about them are set forth below:

<table>
<thead>
<tr>
<th>Name of Director</th>
<th>Age</th>
<th>Principal Occupation</th>
<th>Director Since</th>
<th>Term Expires</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Nominees for Class III Director:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hong Liang Lu</td>
<td>48</td>
<td>President, Chief Executive Officer and Chairman of the Board of Directors of UTStarcom, Inc.</td>
<td>1991</td>
<td>2003</td>
</tr>
<tr>
<td>Masayoshi Son</td>
<td>45</td>
<td>President, Chief Executive Officer and Director of SOFTBANK Corp., Chairman of the Board of Directors of SOFTBANK Holdings Inc. and Chairman of the Board of Directors of SOFTBANK America Inc.</td>
<td>1995</td>
<td>2003</td>
</tr>
<tr>
<td><strong>Continuing Class I Directors:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Thomas J. Toy</td>
<td>48</td>
<td>Managing Director of PacRim Venture Partners and Member of the Board of Directors of White Electronic Designs Corporation</td>
<td>1995</td>
<td>2004</td>
</tr>
<tr>
<td>Ying Wu</td>
<td>43</td>
<td>Executive Vice President and Vice Chairman of the Board of Directors of UTStarcom, Inc., President and Chief Executive Officer of UTStarcom (China) Co. Ltd. and Chairman of the Board of Directors of UTStarcom Telecom Co., Ltd.</td>
<td>1995</td>
<td>2004</td>
</tr>
<tr>
<td><strong>Continuing Class II Directors:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Betsy S. Atkins</td>
<td>47</td>
<td>Chief Executive Officer of Baja Corp. and Member of the Board of Directors of Polycom, Inc. and McData Corp.</td>
<td>2002</td>
<td>2005</td>
</tr>
</tbody>
</table>
Except as set forth below, each nominee or incumbent director has been engaged in his principal occupation described above during the past five years. There is no family relationship between any director or executive officer of the Company.

Hong Liang Lu has served as President and Chief Executive Officer and as a director of the Company since June 1991 and as Chairman of the Board of Directors of the Company since March 2003. Mr. Lu co-founded the Company under its prior name, Unitech Telecom, Inc., in June 1991 which subsequently acquired StarCom Network Systems, Inc. in September 1995. From 1986 through December 1990, Mr. Lu served as President and Chief Executive Officer of Kyocera Unison, a majority-owned subsidiary of Kyocera International, Inc. From 1983 until its merger with Kyocera in 1986, he served as President and Chief Executive Officer of Unison World, Inc., a software development company. From 1979 to 1983, he served as Vice President and Chief Operating Officer of Unison World, Inc. Mr. Lu holds a B.S. in Civil Engineering from the University of California at Berkeley.

Betsy S. Atkins has served as a director of the Company since March 2002. She has been Chief Executive Officer of Baja Corp., an early stage technology and life sciences investment firm, since 1994. Ms. Atkins is also currently a director of Polycom, Inc. and McData Corp., where she is the Chairman of their governance committees and sits on their compensation committees. Ms. Atkins was a founder of Ascend Communications Corp. in 1989 and formerly served as a director. Ms. Atkins was Chief Executive Officer of NCI, Inc., a nutraceutical company, from 1992 to 1994. Ms. Atkins served as a member of the Board of Directors for Lucent Technologies from 2000 to 2002, Olympic Steel from 1998 to 2000, and Selectica Inc. from 1996 to 1999. Ms. Atkins is a presidential appointee to the Pension Benefit Guarantee Trust Corporation and a Trustee of Florida International University. Ms. Atkins holds a B.A. from the University of Massachusetts.

Larry D. Horner has served as a director of the Company since January 2000. He is a director of ConocoPhillips, Atlantis Plastics, Inc., Novitron International, Inc. and Technical Olympics USA, Inc. From 1994 until June 2001, Mr. Horner served as Chairman of Pacific USA Holdings Corp and as Chairman of the Board and Chief Executive Officer of Asia Pacific Wire & Cable Corporation Limited. Mr. Horner formerly served as Chairman and Chief Executive Officer of KPMG Peat Marwick from 1984 to 1990. Mr. Horner is a Certified Public Accountant, holds a B.S. from the University of Kansas and is a graduate of the Stanford Executive Program.

Masayoshi Son has served as a director of the Company since October 1995 and served as the Chairman of the Board of Directors of the Company between October 1995 and March 2003. For more than 16 years, Mr. Son served as President and Chief Executive Officer and as a director of SOFTBANK Corp., a leading global provider of Internet content, technology and services. Mr. Son also serves as a director of BB Technologies Corporation, Yahoo Japan Corporation and Aozora Bank, Ltd. Mr. Son also serves as Chairman of the Board of Directors and Chief Executive Officer of SOFTBANK Holdings Inc. and Chairman of the Board of Directors of SOFTBANK America Inc. From April 1998 to October 1999, Mr. Son served as a director of Ziff-Davis, Inc. Mr. Son holds a B.A. in Economics from the University of California at Berkeley.

Thomas J. Toy has served as a director of the Company since February 1995. Since March 1999, Mr. Toy has served as Managing Director of PacRim Venture Partners, a professional venture capital firm specializing in investments in the information technology sector. Prior to that he was a partner at Technology Funding, a professional venture capital firm, from January 1987 to March 1999. While at Technology Funding, Mr. Toy was Managing Director of Corporate Finance and headed the firm’s investment committee. Mr. Toy also serves as a director of White Electronic Designs Corporation and several private companies. Mr. Toy holds B.A. and M.M. degrees from Northwestern University.
Ying Wu has served as the Executive Vice President and Vice Chairman of the Board of Directors of the Company since October 1995. Mr. Wu has also served as the President and Chief Executive Officer of one of the subsidiaries of the Company, UTStarcom (China) Co. Ltd., since October 1995. Mr. Wu was a co-founder of, and from February 1991 to September 1995 served as Senior Vice President of, StarCom Network Systems, Inc., a company that marketed and distributed third party telecommunications equipment. From 1988 to 1991, Mr. Wu served as a member of the technical staff of Bellcore Laboratories. From 1987 through 1988, Mr. Wu served as a consultant at AT&T Bell Labs. He holds a B.S. in Electrical Engineering from Beijing Industrial University and an M.S. in Electrical Engineering from the New Jersey Institute of Technology.

Board Meetings and Committees

The Board of Directors of the Company held a total of 12 meetings during the fiscal year ended December 31, 2002. During fiscal year 2002, each of the directors attended 75% or more of the meetings of the Board of Directors and the committees of the Board on which the director served subsequent to becoming a director or a member of such committee, except for Director Son and Director Wu. The Board of Directors has an Audit Committee and a Compensation Committee. The Board of Directors has no nominating committee or any committee performing similar functions.

The Audit Committee of the Board of Directors currently consists of Directors Atkins, Horner and Toy and held five meetings during the last fiscal year. Each of the members of the Audit Committee is independent as set forth in Rule 4200(a)(15) of the National Association of Securities Dealers' listing standards. The Audit Committee: (1) recommends to the Board of Directors the annual appointment of our independent auditors, (2) discusses and reviews in advance the scope and the fees of the annual audit, (3) reviews the results of the audit with the independent auditors and discusses the foregoing with the company's management, (4) reviews and approves non-audit services of the independent auditors, (5) reviews compliance with our existing major accounting and financial reporting policies, (6) reviews its own structure, processes and membership requirements, and (7) provides oversight and monitoring of Company management and their activities with respect to the Company's financial reporting process. In connection with the execution of the responsibilities of the Audit Committee, including the review of the Company's quarterly earnings prior to the public release of the information, the Audit Committee members communicated throughout 2002 with the company's management and independent auditors.

The Compensation Committee of the Board of Directors currently consists of Directors Horner and Toy, and held four meetings during the last fiscal year. The Compensation Committee: (1) reviews and makes recommendations to the Board of Directors regarding the compensation policy for executive officers and directors of the Company, (2) reviews and makes recommendations to the Board of Directors regarding all forms of compensation to be provided to the executive officers of the Company, (3) reviews and makes recommendations to the Board of Directors regarding general compensation goals, guidelines and bonus criteria for the Company's employees, (4) acts as administrator of the Company's stock option and stock purchase plans, including the granting of stock options and stock purchase rights and the amendment of such stock options and stock purchase rights, (5) reviews and makes recommendations to the Board of Directors regarding other plans for the provision of compensation to employees, directors and consultants of the Company; and (6) authorizes the repurchase of shares from terminated employees pursuant to applicable law.

Director Compensation

General Compensation

In 2002, Directors Atkins, Horner and Toy each received a retainer and committee participation fee of $6,250. Such amount represents one quarter of the maximum annual compensation of $25,000.
2001 Director Stock Option Plan

Pursuant to the Company’s 2001 Director Stock Option Plan, the following stock options were granted to directors during the fiscal year ended December 31, 2002:

Director Horner was granted options to purchase 25,000 shares of common stock at an exercise price of $14.31 per share on August 23, 2002. The options granted to Director Horner vest in equal monthly portions on the 23rd day of each month after the date of grant for one year.

Director Toy was granted options to purchase 25,000 shares of common stock at an exercise price of $14.31 per share on August 23, 2002. The options granted to Director Toy vest in equal monthly portions on the 23rd day of each month after the date of grant for one year.

Director Atkins was granted options to purchase 80,000 shares of common stock at an exercise price of $23.02 per share on March 20, 2002. The options granted to Director Atkins on March 20, 2002 vest in equal yearly portions on each anniversary of the date of grant for four years. In addition, Director Atkins was granted options to purchase 25,000 shares of common stock at an exercise price of $14.31 per share on August 23, 2002. The options granted to Director Atkins on August 23, 2002 vest in equal monthly portions on the 23rd day of each month after the date of grant for one year.

Required Vote

The two nominees receiving the highest number of votes of the shares entitled to be voted for them shall be elected as directors. Votes withheld from any director will be counted for purposes of determining the presence or absence of a quorum for the transaction of business at the meeting, but have no other legal effect upon election of directors under Delaware law.

THE COMPANY’S BOARD OF DIRECTORS RECOMMENDS VOTING “FOR” THE NOMINEES SET FORTH HEREIN.
PROPOSAL TWO
RATIFICATION OF APPOINTMENT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Audit Committee of the Board of Directors has selected PricewaterhouseCoopers LLP, independent public accountants, to audit the financial statements of the Company for the fiscal year ending December 31, 2003 and recommends that the stockholders ratify this selection. In the event of a negative vote on such ratification, the Board of Directors will reconsider its selection. Representatives of PricewaterhouseCoopers LLP are expected to be available at the Annual Meeting with the opportunity to make a statement if they desire to do so, and are expected to be available to respond to appropriate questions.

Fees billed to the Company by PricewaterhouseCoopers LLP for the fiscal year ended December 31, 2002

Audit Fees

Fees for the fiscal year ended December 31, 2002 audit and interim reviews were $869,720 for which an aggregate amount of $697,220 has been billed through December 31, 2002.

Financial Information Systems Design and Implementation Fees

The Company did not engage PricewaterhouseCoopers LLP to provide services to the Company regarding financial information systems design and implementation during the fiscal year ended December 31, 2002.

All Other Fees

Other fees during the year ended December 31, 2002 totaled $1,969,041 and consisted of $617,415 for audit-related services, $190,086 for tax compliance and planning, $165,701 for assistance with tax audits and $995,839 for tax services related to international expansion and tax services related to global compensation. Audit related services included assistance with the Company's registration statements, statutory audits and procedures performed surrounding certain of the Company's acquisitions.

The Audit Committee of the Board of Directors has considered whether the provision of non-audit services is compatible with maintaining the principal accountant's independence. The Audit Committee believes that the provision of the non-audit services mentioned above to the Company by PricewaterhouseCoopers LLP is compatible with maintaining PricewaterhouseCoopers LLP's independence.

Stockholder ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent public accountants is not required by the Company's Bylaws or other applicable legal requirement. However, the Board is submitting the selection of PricewaterhouseCoopers LLP to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the Audit Committee and the Board will reconsider whether or not to retain that firm. Even if the selection is ratified, the Board at its discretion may direct the appointment of a different independent accounting firm at anytime during the year if it determines that such a change would be in the best interests of the Company and its stockholders.

Required Vote

The affirmative vote of the holders of a majority of the Votes Cast will be required to ratify the selection of PricewaterhouseCoopers LLP as the Company's independent public accountants for the fiscal year ending December 31, 2003.
THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS THE COMPANY'S INDEPENDENT PUBLIC ACCOUNTANTS.

Other Matters

The Company knows of no other matters to be submitted at the meeting. If any other matters properly come before the meeting or any adjournment or postponement thereof, it is the intention of the persons named in the enclosed form of Proxy to vote the shares they represent as the Board of Directors may recommend.
Executive Compensation Tables

The table below sets forth information for the three most recently completed fiscal years concerning the compensation of (i) the Chief Executive Officer of the Company and (ii) the six other most highly compensated executive officers of the Company who were serving as executive officers at the end of the fiscal year ended December 31, 2002, including those who tied as the fifth most highly compensated executive officers (the "Named Executive Officers"):  

### Summary Compensation Table

<table>
<thead>
<tr>
<th>Name and Principal Position</th>
<th>Fiscal Year</th>
<th>Annual Salary ($)</th>
<th>Bonus ($)</th>
<th>Annual Bonus ($)</th>
<th>Long-Term Compensation</th>
<th>Securities Underlying Options/SARs (#)</th>
<th>Other Annual Compensation ($)</th>
<th>All Other Compensation ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hong Liang Lu</td>
<td>2002</td>
<td>$300,000</td>
<td>$150,000</td>
<td>—</td>
<td>$225,000</td>
<td>$14,625(3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>President, Chief Executive</td>
<td>2001</td>
<td>$280,000</td>
<td>$140,000</td>
<td>—</td>
<td>$14,942(3)</td>
<td>$350,000</td>
<td>$6,110(4)</td>
<td></td>
</tr>
<tr>
<td>Officer and Chairman of the Board of Directors</td>
<td>2000</td>
<td>$250,000</td>
<td>$50,000</td>
<td>—</td>
<td>$350,000</td>
<td>$6,110(4)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ying Wu</td>
<td>2002</td>
<td>$250,000</td>
<td>$125,000</td>
<td>$78,697(2)</td>
<td>$150,000</td>
<td>$13,682(3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Executive Vice President, China, and Director</td>
<td>2001</td>
<td>$230,000</td>
<td>$115,000</td>
<td>—</td>
<td>$12,765(3)</td>
<td>$8,491(4)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chief Executive Officer, China, and Director</td>
<td>2000</td>
<td>$200,000</td>
<td>$50,000</td>
<td>—</td>
<td>$8,491(4)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Michael J. Sophie</td>
<td>2002</td>
<td>$250,000</td>
<td>$125,000</td>
<td>—</td>
<td>$150,000</td>
<td>$11,088(3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chief Financial Officer and Senior Vice President, Finance</td>
<td>2001</td>
<td>$230,000</td>
<td>$115,000</td>
<td>—</td>
<td>$11,253(3)</td>
<td>$5,944(4)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shao--Ning J. Chou</td>
<td>2002</td>
<td>$210,000</td>
<td>$105,000</td>
<td>$2,563,253(5)</td>
<td>$150,000</td>
<td>$13,663(3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senior Vice President and Chief Operating Officer, China Operations</td>
<td>2001</td>
<td>$185,000</td>
<td>$92,500</td>
<td>—</td>
<td>$12,765(3)</td>
<td>$8,491(4)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chief Operating Officer, China Operations</td>
<td>2000</td>
<td>$165,000</td>
<td>$50,000</td>
<td>—</td>
<td>$8,491(4)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>David A. Robison (6) Vice President, International Sales</td>
<td>2002</td>
<td>$390,533</td>
<td>—</td>
<td>—</td>
<td>$125,000</td>
<td>$5,431(4)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gerald Soloway</td>
<td>2002</td>
<td>$200,000</td>
<td>$100,000</td>
<td>—</td>
<td>$120,000</td>
<td>$5,770(3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senior Vice President, Engineering</td>
<td>2001</td>
<td>$185,000</td>
<td>$92,500</td>
<td>—</td>
<td>$100,000</td>
<td>$5,737(3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bill Huang</td>
<td>2002</td>
<td>$200,000</td>
<td>$100,000</td>
<td>—</td>
<td>$120,000</td>
<td>$9,863(3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chief Technology Officer, Senior Vice President</td>
<td>2001</td>
<td>$185,000</td>
<td>$92,500</td>
<td>—</td>
<td>$8,942(3)</td>
<td>$6,110(4)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senior Vice President</td>
<td>2000</td>
<td>$165,000</td>
<td>$30,000</td>
<td>—</td>
<td>$105,000</td>
<td>$6,110(4)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) Includes bonuses earned during the fiscal year and paid in the subsequent year.

(2) Consists of (i) a $68,350 housing and children's education allowance paid in connection with Mr. Wu's international work assignment, and (ii) a tax assistance payment of $10,347 paid in connection with UTStarcom's tax equalization policy whereby UTStarcom provides qualified employees with tax assistance to mitigate the tax differential arising from an employee's international work assignment.

(3) Consists of health insurance premiums and 401(k) match payments paid by the Company on behalf of the officers.

(4) Consists of health insurance premiums paid by the Company on behalf of the officers.

(5) Consists of (i) a $36,000 housing allowance paid in connection with Mr. Chou's international work assignment, and (ii) a tax assistance payment of $2,527,253 paid in connection with UTStarcom's tax equalization policy whereby UTStarcom provides qualified employees with tax assistance to mitigate the tax differential arising from an employee's international work assignment. $2,239,432 of the tax assistance amount was paid in connection with the deferred payment of a tax levied by the People's Republic of China on gains realized from the exercise of stock options in 2001. While U.S. tax rules require that this amount be recorded as income in 2002, pursuant to UTStarcom's tax equalization policy, a portion of this tax will be recovered by the Company through Mr. Chou's U.S. foreign tax credit in 2003.

(6) Mr. Robison began his employment with the Company in April 2002.

Option Grants

The following table sets forth certain information with respect to stock option grants to the Named Executive Officers during the fiscal year ended December 31, 2002.
Option Grants in Last Fiscal Year

<table>
<thead>
<tr>
<th>Name</th>
<th>Options Granted to Employees in 2002(1)</th>
<th>Number of Shares Underlying In−the−Money Options at December 31, 2002</th>
<th>Value of Unexercised In−the−Money Options at December 31, 2002</th>
<th>Exercise Price Per Share</th>
<th>Expiration Date</th>
<th>5% Realizable Value</th>
<th>10% Realizable Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hong Liang Lu</td>
<td>150,000</td>
<td>552,085</td>
<td>$6,591,568</td>
<td>$20.25</td>
<td>2/28/2012</td>
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<td>$4,840,993</td>
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<td>286,042</td>
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<td>2/28/2012</td>
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<tr>
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<td>78,491</td>
<td>$1,018,809</td>
<td>$20.25</td>
<td>2/28/2012</td>
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<td>7/25/2012</td>
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</tr>
<tr>
<td>Shao Ning J. Chou</td>
<td>100,000</td>
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<td>$710,077</td>
<td>$20.25</td>
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<td>$494,311</td>
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<td>$751,026</td>
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<td>7/25/2012</td>
<td>$494,311</td>
<td>$1,252,682</td>
</tr>
<tr>
<td>Gerald Soloway</td>
<td>80,000</td>
<td>664,109</td>
<td>$1,018,809</td>
<td>$20.25</td>
<td>2/28/2012</td>
<td>$1,018,809</td>
<td>$2,581,863</td>
</tr>
<tr>
<td>Gerald Soloway</td>
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<td>7/25/2012</td>
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<td>$1,002,145</td>
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<tr>
<td>Bill Huang</td>
<td>80,000</td>
<td>686,246</td>
<td>$751,026</td>
<td>$20.25</td>
<td>2/28/2012</td>
<td>$1,018,809</td>
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<tr>
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<td>$15.72</td>
<td>7/25/2012</td>
<td>$395,449</td>
<td>$1,002,145</td>
</tr>
</tbody>
</table>

Total Grants in 2002: 4,977,723

(1) Based on an aggregate of 4,977,723 shares subject to options granted to our employees in 2002.

(2) Potential realizable values are computed by (a) multiplying the number of shares of common stock subject to a given option by the exercise price, (b) assuming that the aggregate stock value from that calculation compounds at the annual 5% or 10% rate shown in the table for the entire ten−year term of the option and (c) subtracting from that result the aggregate option exercise price. The 5% and 10% assumed annual rates of stock price appreciation are mandated by the rules of the SEC and do not represent the Company's estimate or projection of future common stock prices.

Option Exercises and Values

The following table sets forth information for the Company's Named Executive Officers relating to the number and value of securities underlying exercisable and unexercisable options they held at December 31, 2002 and sets forth the number of shares of common stock acquired and the value realized upon exercise of stock options held as of December 31, 2002 by the Company's Named Executive Officers.

<table>
<thead>
<tr>
<th>Name</th>
<th>Value Realized(1)</th>
<th>Exercisable</th>
<th>Unexercisable</th>
<th>Value of Unexercised In−the−Money Options at December 31, 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hong Liang Lu</td>
<td>—</td>
<td>552,085</td>
<td>422,915</td>
<td>$6,591,568</td>
</tr>
<tr>
<td>Ying Wu</td>
<td>—</td>
<td>664,109</td>
<td>231,248</td>
<td>$1,047,784</td>
</tr>
<tr>
<td>Michael J. Sophie</td>
<td>3,248,525</td>
<td>78,491</td>
<td>311,509</td>
<td>$710,077</td>
</tr>
<tr>
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<td>275,206</td>
<td>$1,238,232</td>
</tr>
<tr>
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<td>—</td>
<td>$206,150</td>
</tr>
<tr>
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<td>216,204</td>
<td>$751,026</td>
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<td>Bill Huang</td>
<td>684,883</td>
<td>51,251</td>
<td>168,331</td>
<td>$307,126</td>
</tr>
</tbody>
</table>

(1) The "Value Realized" is based on the closing price of our common stock as quoted on the Nasdaq National Market on the date of exercise, minus the per share exercise price, multiplied by the number of shares issued upon exercise of the option.

(2) The value of unexercised in−the−money options is calculated based on the difference between the closing price of $19.83 per share as quoted on the Nasdaq National Market on December 31, 2002, and the exercise price for the shares, multiplied by the number of shares underlying the option.

Employment Contracts and Change of Control Arrangements

The Company has entered into an employment and non−competition agreement with each of Hong Liang Lu and Ying Wu, each dated October 6, 1995. Under these agreements, Messrs. Lu and Wu are each to be paid a minimum of $150,000 annually, which amount may be increased by the Board of Directors, and is entitled to a bonus each year as determined by the Board. Although each of Mr. Lu's and Mr. Wu's employment is "at will," the Company must give each 60 days notice of termination for any reason other than voluntary termination, termination as a result of death or disability or termination for cause.
The Company has entered into an employment and non-competition agreement with Bill Huang dated October 6, 1995. Under this agreement, Mr. Huang is to be paid a minimum of $90,000 annually, which amount may be increased by the Board of Directors, and is entitled to a bonus each year as determined by the Board. Although Mr. Huang’s employment is “at will,” the Company must give him 60 days notice of termination for any reason other than voluntary termination, termination as a result of death or disability or termination for cause.

The Company has entered into Change of Control Severance Agreements with each of Michael Sophie, Hong Liang Lu, Ying Wu, Shao-Ning Chou and Bill Huang (each, for this paragraph, an “Employee”), dated April 12, 2002, January 17, 2003, January 31, 2003, January 31, 2003 and January 31, 2003, respectively. These agreements provide that if an Employee's employment with the Company terminates as a result of an involuntary termination at any time within 12 months after a change of control, (i) such Employee will be entitled to 24 months of base salary as in effect as of the
date of such termination payable in a lump sum within 30 days of termination and 100% of the bonus for the year in which termination occurs, (ii) all stock options granted to such Employee will become fully vested and exercisable as of the date of termination and all stock held by him that is subject to a right of repurchase by the Company that was purchased prior to the change of control will have such right lapse and (iii) the Company will continue to provide such Employee the same level of health coverage as in effect on the day immediately preceding the termination date until the earlier of the date such Employee is no longer eligible to receive continuation coverage pursuant to Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA") or 12 months from the termination date. In the event that the severance and other benefits provided pursuant to the Change of Control Severance Agreement between the Company and such Employee constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code") and would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code, such Employee's benefits under the Agreement shall be either delivered in full or delivered as to such lesser extent which would result in no portion of such benefits being subject to the excise tax, whichever results in the receipt by the Employee on an after−tax basis of the greatest amount of benefits.

The Company has entered into Change of Control Severance Agreement with Gerald Soloway, dated April 12, 2002. This agreement provides that if Mr. Soloway's employment with the Company terminates as a result of an involuntary termination at any time within 12 months after a change of control, or terminates as a result of an involuntary termination done in contemplation of a change in control (i) Mr. Soloway will be entitled to receive 24 months of base salary as in effect as of the date of termination payable in a lump sum within 30 days of termination and 100% of the bonus for the year in which the termination occurs, (ii) all stock options granted to Mr. Soloway will become fully vested and exercisable and all stock held by him that is subject to a right of repurchase by the Company will have such right lapse and (iii) the Company will continue to provide Mr. Soloway health coverage until the earlier of the date Mr. Soloway is no longer eligible to receive continuation coverage pursuant to COBRA or 12 months from the termination date. The agreement will also provide that if Mr. Soloway's employment with the Company terminates other than as a result of an involuntary termination or resignation within 12 months following a change in control, he will be entitled to receive 12 months of his base salary in effect as of the date of termination, payable in a lump sum within 30 days of termination. In the event that the severance and other benefits provided pursuant to the Change of Control Severance Agreement between the Company and Mr. Soloway constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code, and subject to an excise tax, Mr. Soloway will receive payments from the Company sufficient to pay such excise tax (including any additional amounts necessary to pay the excise tax and federal and state income taxes arising from such payments).

For the purpose of the Change of Control Severance Agreements for Messrs. Chou, Huang, Lu, Sophie and Wu, “involuntary termination” includes (i) without the employee's express written consent, a significant reduction of the employee's duties, position or responsibilities relative to the Employee's duties, position or responsibilities in effect immediately prior to such reduction, or the removal of the employee from such position, duties and responsibilities without his express written consent, unless the employee is provided with comparable duties, position and responsibilities (as, for example, following a change of control, the Chief Financial Officer of the Company is made the Chief Financial Officer of the acquiring entity), (ii) a substantial reduction, without good business reasons, of the facilities and perquisites (including office space and location) available to the employee immediately prior to such reduction without the employee's express written consent, (iii) a reduction by the Company of the employee's base salary as in effect immediately prior to such reduction, (iv) a material reduction by the Company in the kind or level of employee benefits to which the employee is entitled immediately prior to such reduction with the result that the employee's overall benefits package is significantly reduced, (v) the relocation of the employee to a facility or a location more than 50 miles from his current
location without the employee's express written consent, (vi) any purported termination of the employee by the Company which is not effected for cause or for which the grounds relied upon are not valid, or (vii) the failure of the Company to obtain the assumption of the Change of Control Severance Agreement by any successor to the Company.

For the purpose of the Change of Control Severance Agreement for Mr. Soloway, "involuntary termination" includes (i) without the employee's express written consent, a significant reduction of the employee's duties, position or responsibilities relative to the employee's duties, position or responsibilities in effect immediately prior to such reduction, or the removal of the employee from such position, duties and responsibilities without his express written consent, unless the employee is provided with comparable duties, position and responsibilities that are expressly consented to in advance by the employee in writing, (ii) a substantial reduction, without good business reasons, of the facilities and perquisites (including office space and location) available to the employee immediately prior to such reduction without the employee's express written consent, (iii) a reduction by the Company of the employee's base salary as in effect immediately prior to such reduction with the result that the employee's overall benefits package is significantly reduced, (iv) the relocation of the employee to a facility or a location more than 20 miles from his current location without the employee's express written consent, (vi) any purported termination of the employee by the Company which is not effected for cause or for which the grounds relied upon are not valid, or (vii) the failure of the Company to obtain the assumption of the Change of Control Severance Agreement by any successor to the Company.

"Change of control" in these agreements is defined as (a) the approval by the stockholders of the Company of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the total voting power represented by the Company's then outstanding voting securities, (b) the approval by the stockholders of the Company of a plan to complete liquidation of the Company or an agreement for the sale or disposition by the company of all or substantially all of the Company's assets, (c) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) becoming the "beneficial owner" (as defined in Rule 13d−3 under said Act), directly or indirectly, of securities of the Company representing 50% or more of the total voting power represented by the Company's then outstanding voting securities, or (d) a change in the composition of the Board, as a result of which fewer than a majority of the directors are incumbent directors.
Compensation Committee Report

The information contained in the following report shall not be deemed to be "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates it by reference into such filing.

Introduction

The Compensation Committee of the Board of Directors (the "Committee") was established on January 31, 1997 and is comprised solely of outside directors. In general, the Committee is responsible for reviewing and recommending for approval by the Board of Directors the Company's compensation practices, including executive salary levels and variable compensation programs, both cash–based and equity–based. With respect to the compensation of the Company's Chief Executive Officer, the Committee reviews and approves the various elements of the Chief Executive Officer's compensation. With respect to other executive officers, the Committee reviews the recommendations for such individuals presented by the Chief Executive Officer and the bases therefor and approves or modifies the compensation packages for such individuals. Base salary levels for executive officers of the Company have been generally established at or near the start of each fiscal year, and final bonuses for executive officers have been determined at the end of each fiscal year based upon such individual's performance and the performance of the Company.

Executive Compensation

The Company's compensation program consists of two principal components: cash–based compensation, both fixed and variable, and equity–based compensation. These two principal components are intended to attract, retain, motivate and reward executives who are expected to manage both the short–term and long–term success of the Company.

Cash–based Compensation

The Committee believes that the annual cash compensation paid to executives should be commensurate with both the executive's and the Company's performance. For this reason, the Company's executive cash compensation consists of base compensation (salary) and variable incentive compensation (annual bonus).

Base salaries for executive officers are established considering a number of factors, including the Company's profitability, the executive's individual performance and measurable contribution to the Company's success and pay levels of similar positions with comparable companies in the industry. The Committee supports the Company's compensation philosophy of moderation for elements such as base salary and benefits. Base salary decisions are made as part of the Company's formal annual review process.

An executive's annual performance award generally depends on the financial performance of the Company relative to profit targets and the executive's individual performance. These targets are reviewed at least annually to meet the changing nature of the Company's business. The incentive portion is set at a higher percentage for more senior officers, with the result that such officers have a higher percentage of their potential total cash compensation at risk.

Equity–based Compensation

The Committee administers an option program pursuant to which members of management, including the Company's executive officers, may receive annual option grants as of the time of their
reviews each year from a pool of shares set aside by the Company. The purpose of the option program is to provide additional incentive to executives and other key employees of the Company to work to maximize long-term return to the Company's stockholders. The allocation of the option pool, other than the shares allocated to the Chief Executive Officer, is recommended by the Chief Executive Officer for approval by the Committee. The allocation of shares from the option pool to the Chief Executive Officer is determined solely by the Committee. In granting stock options to the executive officers and the Chief Executive Officer, the Committee considers a number of objective and subjective factors, including the executive's position and responsibilities at the Company, such executive's past and anticipated individual performance, current survey data with respect to market rates for option compensation and other factors that they may deem relevant. Options generally vest over a four year period to encourage optionholders to continue in the employ of the Company. The exercise price of options is the market price on the date of grant, ensuring that the option will acquire value only to the extent that the price of the Company's common stock increases relative to the market price at the date of grant.

Chief Executive Officer Compensation

The Committee generally uses the same factors and criteria described above for compensation decisions regarding the Chief Executive Officer. During the fiscal year ended December 31, 2002, Mr. Lu received a base salary of $300,000 for serving as the Chief Executive Officer of the Company and a bonus of $150,000. In the fiscal year ended December 31, 2002, the Committee granted Mr. Lu options to purchase 225,000 shares of the Company's common stock pursuant to the Company's stock option plan.

Tax Deductibility of Executive Compensation

The Internal Revenue Code limits the federal income tax deductibility of compensation paid to the Company's Chief Executive Officer and to each of the other four most highly compensated executive officers. For this purpose, compensation can include, in addition to cash compensation, the difference between the exercise price of stock options and the value of the underlying stock on the date of exercise. Under this legislation, the Company may deduct such compensation with respect to any of these individuals only to the extent that during any fiscal year such compensation does not exceed $1 million or meets certain other conditions (such as stockholder approval). The Company's policy is to qualify, to the extent reasonable, its executive officers' compensation for deductibility under applicable tax laws. However, the Committee believes that its primary responsibility is to provide a compensation program that will attract, retain and reward the executive talent necessary to the Company's success. Consequently, the Committee recognizes that the loss of a tax deduction may be necessary in some circumstances.

Summary

The Committee believes that its compensation program to date has been fair and motivating, and has been successful in attracting and retaining qualified employees and in linking compensation directly to the Company's success. The Committee intends to review this program on an ongoing basis to evaluate its continued effectiveness.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee consists of Directors Horner and Toy, neither of whom has interlocking relationships as defined by the SEC.

The Compensation Committee

Larry Horner
Thomas Toy
The following is the report of the Audit Committee with respect to the Company's audited financial statements for the fiscal year ended December 31, 2002. The information contained in this report shall not be deemed to be "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the 1934 Securities Exchange Act, as amended, except to the extent that the Company specifically incorporates the information by reference in such filing.

Established on January 31, 1997, the Audit Committee makes recommendations to the Board of Directors regarding the selection of independent auditors, reviews the results and scope of audit and other services provided by the independent auditors and reviews the accounting principles and auditing practices and procedures to be used in the Company's financial statements. Management is responsible for the Company's financial reporting process including its systems of internal control, and for the preparation of consolidated financial statements in accordance with generally accepted accounting principles. The Company's independent auditors are responsible for auditing those financial statements. Our responsibility is to monitor and review these processes. It is not our duty or our responsibility to conduct auditing or accounting reviews or procedures. We have relied, without independent verification, on management's representation that the financial statements have been prepared with integrity and objectivity and in conformity with accounting principles generally accepted in the United States of America and on the representations of the independent auditors included in their report on the Company's financial statements.

The Audit Committee held five meetings during the last fiscal year. Each of the members of the Audit Committee is independent as defined by our standards as set forth in the Audit Committee Charter and the Nasdaq listing standards.

Audited Financial Statements

The Audit Committee has reviewed the audited financial statements prepared for the fiscal year ended December 31, 2002. The Audit Committee has discussed the audited financial statements with various members of management of the Company.

In addition, the Audit Committee has discussed the audited financials with PricewaterhouseCoopers LLP, the Company's independent auditors for the last fiscal year ("PricewaterhouseCoopers"), including such items as Statement on Auditing Standards No. 61 requires. The Audit Committee has also received from PricewaterhouseCoopers a letter and other written disclosures required under Independence Standards Board Standard No. 1, and has had discussions with PricewaterhouseCoopers regarding the independence of the Company's independent auditors.

After review of all discussions and all written correspondence described above, as well as such other matters deemed relevant and appropriate by the Audit Committee, the Audit Committee recommended to the Board of Directors that the audited financial statements for the last fiscal year be included in the Company's Annual Report on Form 10-K.

The Audit Committee

Betsy Atkins
Larry Horner
Thomas Toy
Set forth below is a line graph comparing the annual percentage change in the cumulative return to the stockholders of the Company's common stock with the cumulative return of the Nasdaq composite (U.S. and foreign) index and the S&P Wireless Telecommunication Services index for the period commencing on March 3, 2000, the first day the Company's common stock was traded on The Nasdaq National Market, and ending on December 31, 2002. The information contained in the performance graph shall not be deemed to be "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates it by reference into such filing.

The graph assumes that $100.00 was invested on March 3, 2000 in the Company's common stock and in each index (based on the initial public offering price of $18 per share), and that all dividends were reinvested. No cash dividends have been declared or paid on the Company's common stock. Stockholder returns over the indicated period should not be considered indicative of future stockholder returns. The Company operates on a 52-week fiscal year which ended on Monday, December 31, 2002. Under the assumptions stated above, over the period from March 3, 2000 to December 31, 2002 the total return on an investment in the Company would have been 10.17% as compared to −71.69% for the Nasdaq composite (U.S. and foreign) index and −88.09% for the S&P Wireless Telecommunication Services index shown below.

* $100 invested on 3/3/00 in stock or on 2/29/00 in index, including reinvestment of dividends. Fiscal year ending December 31.

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The following table sets forth certain information with respect to beneficial ownership of the Company’s common stock as of February 28, 2003 (except as otherwise indicated), by: (i) each person who is known by the Company to own beneficially more than five percent of the common stock, (ii) each of the Named Executive Officers, (iii) each of the Company's directors, and (iv) all directors and executive officers as a group. Except as indicated in the footnotes to this table, the persons named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them, subject to community property laws where applicable.

Calculations are based on a total number of outstanding shares of 107,035,731 shares as of February 28, 2003.

<table>
<thead>
<tr>
<th>Beneficial Owner</th>
<th>Shares Beneficially Owned(1)</th>
<th>Approximate Percent Owned(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entities affiliated with SOFTBANK CORP.(2)</td>
<td>22,651,630</td>
<td>21.16%</td>
</tr>
<tr>
<td>c/o SOFTBANK CORP. 24−1 Nihonbashi−Hakozakicho Chuo−ku, Tokyo 103−8501 JAPAN</td>
<td>22,681,630</td>
<td>21.18%</td>
</tr>
<tr>
<td>Masayoshi Son(3) c/o SOFTBANK CORP. 24−1 Nihonbashi−Hakozakicho Chuo−ku, Tokyo 103−8501 JAPAN</td>
<td>22,681,630</td>
<td>21.18%</td>
</tr>
<tr>
<td>Wasatch Advisors, Inc.(4) 150 Social Hall Avenue Salt Lake City, UT 84111</td>
<td>8,154,736</td>
<td>7.70%</td>
</tr>
<tr>
<td>Ying Wu(5)</td>
<td>5,133,302</td>
<td>4.76%</td>
</tr>
<tr>
<td>Hong Liang Lu(6)</td>
<td>3,599,294</td>
<td>3.34%</td>
</tr>
<tr>
<td>Thomas J. Toy(7)</td>
<td>104,966</td>
<td>*</td>
</tr>
<tr>
<td>Shao−Ning J. Chou(8)</td>
<td>486,658</td>
<td>*</td>
</tr>
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<td>Bill Huang(9)</td>
<td>890,212</td>
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<td>Gerald Soloway(10)</td>
<td>267,036</td>
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<td>Michael J. Sophie(11)</td>
<td>175,088</td>
<td>*</td>
</tr>
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<td>Larry Horner(12)</td>
<td>35,332</td>
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</tr>
<tr>
<td>David A. Robison(13)</td>
<td>22,687</td>
<td>*</td>
</tr>
<tr>
<td>Betsy S. Atkins(14)</td>
<td>36,666</td>
<td>*</td>
</tr>
<tr>
<td>All current directors and officers as a group (12 persons)(15)</td>
<td>33,573,581</td>
<td>30.66%</td>
</tr>
</tbody>
</table>

* Less than 1%

(1) Includes any shares issuable pursuant to options held by the person or group in question which may be exercised within 60 days of February 28, 2003.

(2) Includes 22,651,630 shares registered in the name of SOFTBANK America Inc., a Delaware corporation. SOFTBANK America Inc. is a wholly owned subsidiary of SOFTBANK Holdings Inc., a Delaware corporation. SOFTBANK Holdings Inc. is a wholly owned subsidiary of SOFTBANK CORP., a Japanese corporation. On March 7, 2003, the Company entered into a Stock Purchase Agreement with SOFTBANK America, Inc. to repurchase 8,000,000 shares of the Company's common stock from such entity.

(3) Represents 22,651,630 shares beneficially owned by entities affiliated with SOFTBANK CORP. Mr. Son is President, Chief Executive Officer and major stockholder of SOFTBANK CORP. On March 7, 2003, the Company entered into a Stock Purchase Agreement with SOFTBANK America, Inc. to repurchase 8,000,000 shares of the Company's common stock from such entity. Mr. Son disclaims beneficial ownership of these shares except to the extent of his pecuniary interest, if any, therein. Includes 30,000 shares issuable upon exercise of options that are exercisable within 60 days of February 28, 2002.

(4) Based on statements filed with the Securities and Exchange Commission pursuant to Sections 13(d) or 13(g) of the Securities Exchange Act of 1934, as amended. UTStarcom has not independently verified these statements or more current holdings of such stockholders.

(5) Includes 1,505,500 shares registered in the name of Wu Partners, a California Limited Partnership, of which Mr. Wu is general partner. Also includes up to 250,000 shares issuable upon redemption by Wu Partners of its interest in the Altavera Capital Fund LLP. Includes 25,307 shares registered in the name of Ashley Wu and 25,307 shares registered in the name of Richard Wu. Ashley Wu and Richard Wu are Mr. Wu's children. Mr. Wu may be deemed the beneficial owner of the shares. Includes 715,361 shares issuable upon exercise of options that are exercisable within 60 days of February 28, 2002.

(6) Includes 229,000 shares owned by The Lu Family Limited Partnership, of which Mr. Lu is a general partner. Includes 5,332 shares registered in the name of Brian Lu, 5,332 shares registered in the name of Benjamin Lu, and 5,332 shares registered in the name of Melissa Lu. Brian Lu, Benjamin Lu, and Melissa Lu are Mr. Lu's children. Mr. Lu may be deemed the beneficial owner of the shares. Includes 658,337 shares issuable upon exercise of options that are exercisable within 60 days of February 28, 2002.

(7) Includes 104,166 shares issuable upon exercise of options that are exercisable within 60 days of February 28, 2002.

(8) Includes 216,025 shares issuable upon exercise of options that are exercisable within 60 days of February 28, 2002.

(9) Includes 106,000 shares owned by the 2000 Huang Family Limited Partnership, of which Mr. Huang is a general partner. Includes 6,600 shares registered in the name of Alexander Huang, and 6,600 shares registered in the name of Helen Huang. Alexander Huang and Helen Huang are
CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

During 2002, the Company entered into indemnification agreements with certain of its directors and executive officers.

The Company has engaged in the following transactions with entities affiliated with SOFTBANK CORP., an entity affiliated with SOFTBANK America Inc.:

- In 2002, the Company entered into a purchase agreements with BB Technologies Corp. ("BB Tech"), an affiliate of SOFTBANK CORP., providing for the sale of products by the Company to BB Tech. The Company continues to recognize revenue from the agreements.

- During the first quarter of fiscal year 2002, the Company invested $2.0 million in Restructuring Fund No. 1, a venture capital investment limited partnership established by SOFTBANK INVESTMENT CORP., an affiliate of SOFTBANK CORP.

- On August 29, 2002, the Company completed the repurchase of six million shares of its common stock for $72.9 million from SOFTBANK America Inc.

- On March 7, 2003, the Company entered into a Stock Purchase Agreement with SOFTBANK America, Inc. to repurchase eight million shares of its common stock held by such entity for $139.1 million. Pursuant to the terms of the Stock Purchase Agreement, the repurchase will be completed as of April 5, 2003.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Company's directors and executive officers, and persons who own more than ten percent of a registered class of the Company's equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Officers, directors and greater than ten percent stockholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, based solely on its review of the copies of such reports furnished to the Company and written representations that no other reports were required, during the fiscal year ended December 31, 2002, all officers, directors and greater than ten percent beneficial owners complied with all Section 16(a) filing requirements except for the following inadvertent late filings:

- On April 10, 2002, Gerald Soloway timely filed a Form 4 that failed to reflect the exercise of 10,000 shares. Mr. Soloway filed an amended Form 4 on January 29, 2003 to disclose the omitted information.

- Betsy Atkins became a Section 16(a) reporting person on March 20, 2002 and failed to timely file a Form 3. Ms. Atkins filed her Form 3 on May 21, 2002.

OTHER MATTERS

The Company knows of no other matters to be submitted to the Annual Meeting. If any other matters properly come before the Annual Meeting, it is the intention of the persons named in the enclosed Proxy to vote the shares they represent as the Board of Directors may recommend.

BY ORDER OF THE BOARD OF DIRECTORS

Michael J. Sophie
PROXY
UTSTARCOM, INC.
1275 Harbor Bay Parkway
Alameda, California 94502

SOLICITED BY THE BOARD OF DIRECTORS
FOR THE ANNUAL MEETING OF STOCKHOLDERS

The undersigned hereby appoints Michael J. Sophie with the power to appoint his substitute, and hereby authorizes him to represent and to vote, as designated on the reverse side, all shares of common stock of UTStarcom, Inc. (the "Company") held of record by the undersigned on March 10, 2003 at the Annual Meeting of Stockholders to be held on May 9, 2003 and any adjournments thereof.

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED AS DIRECTED. IF NO DIRECTION IS GIVEN WITH RESPECT TO A PARTICULAR PROPOSAL, THIS PROXY WILL BE VOTED FOR SUCH PROPOSAL.

PLEASE MARK, DATE, SIGN, AND RETURN THIS PROXY CARD PROMPTLY, USING THE ENCLOSED ENVELOPE. NO POSTAGE IS REQUIRED IF MAILED IN THE UNITED STATES.

CONTINUED AND TO BE SIGNED ON REVERSE SIDE

SEE REVERSE SIDE

Dear Stockholder:

Please take note of the important information enclosed with this Proxy. There are a number of issues related to the operation of the Company that require your immediate attention.

Your vote counts, and you are strongly encouraged to exercise your right to vote your shares.

Please mark the boxes on the proxy card to indicate how your shares will be voted. Then sign the card, detach it and return your proxy in the enclosed postage paid envelope.

Thank you in advance for your prompt consideration of these matters.

Sincerely,

UTStarcom, Inc.

Please mark votes as in this example.

1. Election of directors.
   Nominees: (01) Hong Liang Lu and (02) Masayoshi Son.

   FOR □  WITHHELD □  MARK HERE IF YOU PLAN TO ATTEND THE MEETING □

   □

   For all nominees except as noted above

2. Ratify the appointment of PricewaterhouseCoopers LLP as independent auditors.

   FOR □  AGAINST □  ABSTAIN □

   □

   In their discretion, the proxies are authorized to vote upon such other business that may properly come before the meeting.

   MARK HERE FOR ADDRESS CHANGE AND NOTE AT LEFT □

   Please sign exactly as name appears hereon. Joint owners should each sign. Executors, administrators, trustees, guardians or other fiduciaries should give full title as such. If signing for a corporation, please sign in full corporate name by a duly authorized officer.

Signature:   Date:   Signature:   Date:
QuickLinks

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS To Be Held May 9, 2003
YOUR VOTE IS IMPORTANT
PROXY STATEMENT
INFORMATION CONCERNING SOLICITATION AND VOTING
PROPOSAL ONE ELECTION OF DIRECTORS
PROPOSAL TWO RATIFICATION OF APPOINTMENT OF INDEPENDENT PUBLIC ACCOUNTANTS
EXECUTIVE COMPENSATION AND OTHER MATTERS
Summary Compensation Table
Option Grants in Last Fiscal Year
Aggregated Option Exercises In Last Fiscal Year and FY–End Option Values
REPORT OF THE COMPENSATION COMMITTEE
REPORT OF THE AUDIT COMMITTEE
COMPANY'S STOCK PERFORMANCE
STOCK PRICE PERFORMANCE GRAPH FOR UTSTARCOM, INC. COMPARISON OF 34 MONTH CUMULATIVE TOTAL RETURN* AMONG
UTSTARCOM, INC., THE NASDAQ STOCK MARKET (U.S. & FOREIGN) INDEX AND THE S & P WIRELESS TELECOMMUNICATION SERVICES
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CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS
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OTHER MATTERS
PROXY UTSTARCOM, INC. 1275 Harbor Bay Parkway Alameda, California 94502

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EXHIBIT 22
FORM DEF 14A

UTSTARCOM INC – UTSI

Filed: April 18, 2005 (period: May 13, 2005)

Official notification to shareholders of matters to be brought to a vote (Proxy)
SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant ☑
Filed by a Party other than the Registrant ☐
Check the appropriate box:
☐ Preliminary Proxy Statement
☐ Confidential, for Use of the Commission Only (as permitted by Rule 14a−6(e)(2))
☑ Definitive Proxy Statement
☐ Definitive Additional Materials
☐ Soliciting Material Pursuant to §240.14a−12

UTSTARCOM, INC.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):
☑ No fee required.
☐ Fee computed on table below per Exchange Act Rules 14a−6(i)(1) and 0−11.
(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0−11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

☐ Fee paid previously with preliminary materials.
☐ Check box if any part of the fee is offset as provided by Exchange Act Rule 0−11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.
April 18, 2005

Dear Stockholder:

You are cordially invited to attend the 2005 annual meeting of stockholders of UTStarcom, Inc. (the “Company”) to be held at the Hilton Oakland Airport, 1 Hegenberger Road, Oakland, California 94621, on Friday, May 13, 2005 at 10:00 a.m., Pacific Daylight Time. Enclosed are a notice of annual meeting of stockholders, a proxy statement describing the business to be transacted at the meeting, and a proxy card for use in voting at the meeting.

At the annual meeting, you will be asked to vote on the important matters described in detail in the notice of annual meeting of stockholders and proxy statement accompanying this letter. There also will be an opportunity for you to ask questions and receive information about the business of the Company.

Included with the proxy statement is a copy of the Company’s annual report to stockholders. We encourage you to read the annual report. It includes information on the Company’s operations as well as the Company’s audited financial statements.

Please take this opportunity to participate in the affairs of the Company by voting on the business to come before this meeting. WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, PLEASE COMPLETE, DATE, SIGN AND PROMPTLY RETURN THE ACCOMPANYING PROXY CARD IN THE ENCLOSED POSTAGE−PAID ENVELOPE SO THAT YOUR SHARES MAY BE REPRESENTED AT THE MEETING. Returning the proxy card does not deprive you of your right to attend the meeting and to vote your shares in person.

We look forward to seeing you at the meeting.

Sincerely,

Hong Liang Lu  
President, Chief Executive Officer and Chairman of the Board of Directors

YOUR VOTE IS IMPORTANT. PLEASE COMPLETE, DATE, SIGN AND PROMPTLY RETURN THE ENCLOSED PROXY CARD IN THE ENCLOSED POSTAGE−PAID ENVELOPE WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING. IF YOU ATTEND THE MEETING AND DESIRE TO WITHDRAW YOUR PROXY, YOU MAY VOTE IN PERSON AND YOUR PROXY WILL BE WITHDRAWN.
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held May 13, 2005

To the Stockholders:

NOTICE IS HEREBY GIVEN that the annual meeting of stockholders (the "Annual Meeting") of UTStarcom, Inc. (the "Company"), a Delaware corporation, will be held on Friday, May 13, 2005 at 10:00 a.m., Pacific Daylight Time, at the Hilton Oakland Airport, 1 Hegenberger Road, Oakland, California 94621, for the following purposes:

1. To elect two Class II directors to serve for a term expiring on the date on which the annual meeting of stockholders is held in the year 2008.
2. To approve the 2005 Equity Incentive Plan, including approval of its material terms and performance goals for the purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended.
3. To ratify and approve the appointment of PricewaterhouseCoopers LLP as the Independent Registered Accounting Firm of the Company for the fiscal year ending December 31, 2005.
4. To transact such other business as may properly come before the Annual Meeting and any adjournment or postponement thereof.

The foregoing items of business are more fully described in the proxy statement accompanying this notice.

Only stockholders of record at the close of business on March 14, 2005 are entitled to notice of and to vote at the Annual Meeting.

All stockholders are cordially invited to attend the Annual Meeting in person. However, to assure your representation at the Annual Meeting, you are urged to complete, sign and return the enclosed proxy card as promptly as possible in the postage-paid envelope enclosed for that purpose. Any stockholder attending the Annual Meeting may vote in person even if he or she returned a proxy.

By Order of the Board of Directors

Michael J. Sophie
Senior Vice President of Finance and
Chief Financial Officer

Alameda, California
April 18, 2005

YOUR VOTE IS IMPORTANT

To assure your representation at the Annual Meeting, you are requested to complete, sign and date the enclosed proxy as promptly as possible and return it in the enclosed postage-paid envelope, which requires no postage if mailed in the United States.
INFORMATION CONCERNING SOLICITATION AND VOTING

General

The enclosed proxy is solicited on behalf of the Board of Directors (the “Board”) of UTStarcom, Inc. (the “Company”) for use at the annual meeting of stockholders to be held on Friday, May 13, 2005 at 10:00 a.m., Pacific Daylight Time (the “Annual Meeting”), or at any adjournment or postponement thereof, for the purposes set forth in this proxy statement prepared in connection with the Annual Meeting (the “Proxy Statement”) and in the accompanying Notice of Annual Meeting of Stockholders. The Annual Meeting will be held at the Hilton Oakland Airport, 1 Hegenberger Road, Oakland, California 94621. The Company’s telephone number at that location is (510) 635−5000.

The Company’s principal executive offices are located at 1275 Harbor Bay Parkway, Alameda, California 94502.

These proxy solicitation materials and the Company’s annual report to stockholders for the year ended December 31, 2004 were mailed on or about April 18, 2005 to all stockholders entitled to vote at the Annual Meeting.

Record Date and Voting Securities

Only stockholders of record at the close of business on March 14, 2005 (the “Record Date”) are entitled to notice of, and to vote at, the Annual Meeting. As of the Record Date, 114,809,960 shares of the Company’s common stock, par value $0.00125 per share (the “Common Stock”), were issued and outstanding. No shares of the Company’s preferred stock, par value $0.00125 per share, were issued and outstanding.

Revocability of Proxies

Any proxy given pursuant to this solicitation of proxies may be revoked by the person giving it at any time before its use by delivering to the Assistant Secretary of the Company at the Company’s principal executive offices a written notice of revocation or a duly executed proxy bearing a later date or by attending the Annual Meeting and voting in person. The mere presence at the Annual Meeting of a stockholder who has appointed a proxy will not revoke the prior appointment. If not revoked, the proxy will be voted at the Annual Meeting in accordance with the instructions indicated on the proxy card, or if no instructions are indicated, will be voted FOR the slate of members of the Board described herein, FOR Proposal Two, FOR Proposal Three and as to any other matter that may properly be brought before the Annual Meeting in accordance with the judgment of the proxy holders.

Voting and Solicitation

Each stockholder is entitled to one vote for each share of Common Stock held on all matters presented at the Annual Meeting. Stockholders do not have the right to cumulate their votes in the election of members to the Board.

This solicitation of proxies is made by the Company, and all costs associated with soliciting proxies will be borne by the Company. In addition, the Company will reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation materials to such beneficial owners. Proxies may be solicited by certain of the Company’s directors, officers and regular
employees personally or by telephone, facsimile or electronic mail. No additional compensation will be paid to these persons for such

Quorum; Abstentions; Broker Non−Votes

The required quorum for the transaction of business at the Annual Meeting is a majority of the shares of Common Stock issued and outstanding on the Record Date. All shares represented at the Annual Meeting, whether in person or by a general or limited proxy, will be counted for the purpose of establishing a quorum. All votes will be tabulated by the inspector of elections appointed for the Annual Meeting, who will separately tabulate affirmative and negative votes, abstentions and broker non−votes.

Abstentions and broker non−votes will be counted towards the tabulation of the total number of shares present and entitled to vote (the “Votes Cast”) on proposals presented to the stockholders and will have the same effect as negative votes.

Deadlines for Submission of Stockholder Proposals for 2006 Annual Meeting

Stockholders of the Company are entitled to present proposals for consideration at forthcoming stockholder meetings provided that such proposals comply with the proxy rules promulgated by the Securities and Exchange Commission (the “SEC”) and the bylaws of the Company (the “Bylaws”). Under Rule 14a−8 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), stockholders wishing to present a proposal at the Company’s 2006 annual meeting of stockholders must submit the proposal to the Company by December 19, 2005 if they wish for it to be eligible for inclusion in the proxy statement and form of proxy relating to that meeting. In addition, under the Bylaws, a stockholder wishing to make a proposal at the 2006 annual stockholder meeting must ensure that such proposal is delivered to or is mailed and received at the Company’s principal executive offices prior to March 4, 2006.

Householding

As permitted by applicable law, only one copy of this Proxy Statement is being delivered to stockholders residing at the same address if they have previously consented to receiving only one copy of the Proxy Statement on a voter instruction card submitted for a prior year’s annual meeting of stockholders. Stockholders who share an address and currently receive multiple copies of the Company’s proxy statements and annual reports may request that in the future a single copy of the proxy statement and a single copy of the Company’s annual report be delivered by filling out the applicable section of the voter instruction card for the Annual Meeting.
Nominees

The authorized number of directors of the Company (each a “Director”) is currently established at seven. Following the Annual Meeting, this number will be reduced to six. The Company’s certificate of incorporation provides that Directors shall be divided into three classes, with the classes serving for staggered, three-year terms (or less if they are filling a vacancy). Currently there are two Directors in each of Class II and Class III, and three Directors in Class I. Each of the two Class III Directors will hold office until the 2006 annual meeting or until the Class III Director’s successor has been duly elected and qualified, and two of the Class I Directors, Thomas Toy and Ying Wu, will hold office until the 2007 annual meeting or until the Class I Director’s successor has been duly elected and qualified. One Class II Director, Betsy Atkins, is not standing for reelection. The Company’s nominees for election as the Class II Directors at this Annual Meeting are the third Class I Director, Allen Lenzmeier, and the remaining Class II Director, Larry Horner.

Unless otherwise instructed, the proxy holders will vote the proxies received by them for the Company’s two nominees for Class II Directors, Allen Lenzmeier and Larry Horner, each to hold office until the 2008 annual meeting or until the Class II Director’s successor has been duly elected and qualified.

The Company expects that each nominee for election as a Director at the Annual Meeting will be able to serve if elected. In the event that any nominee of the Company becomes unable or declines to serve as a Director at the time of the Annual Meeting, the proxy holders will vote the proxies for any substitute nominee who is designated by the current Board to fill the vacancy.

Required Vote

The two nominees receiving the highest number of votes of the shares entitled to be voted for such nominees shall be elected as Directors. Votes withheld from any Director will be counted for purposes of determining the presence or absence of a quorum for the transaction of business at the Annual Meeting, but have no other legal effect upon election of Directors under the Delaware General Corporation Law.

THE COMPANY’S BOARD OF DIRECTORS RECOMMENDS VOTING “FOR” THE NOMINEES SET FORTH HEREIN.
The names of the two Class II nominees for Director and the current Class I and Class III Directors with unexpired terms, their ages as of the date of this Proxy Statement and certain other information are set forth below:

<table>
<thead>
<tr>
<th>Name of Director</th>
<th>Age</th>
<th>Principal Occupation</th>
<th>Director Since</th>
<th>Term Expires</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Nominees for Class II Directors:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allen Lenzmeier(1)</td>
<td>61</td>
<td>Vice Chairman and member of the board of directors of Best Buy Co. Inc.</td>
<td>2005</td>
<td>2008</td>
</tr>
<tr>
<td><strong>Continuing Class III Directors:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jeff Clarke(2)</td>
<td>43</td>
<td>Chief Operating Officer of Computer Associates International, Inc.</td>
<td>2005</td>
<td>2006</td>
</tr>
<tr>
<td>Hong Liang Lu</td>
<td>50</td>
<td>President, Chief Executive Officer and Chairman of the Board</td>
<td>1991</td>
<td>2006</td>
</tr>
<tr>
<td><strong>Continuing Class I Directors:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Thomas Toy</td>
<td>50</td>
<td>Managing Director of PacRim Venture Partners and member of the board of directors of White Electronic Designs Corporation</td>
<td>1995</td>
<td>2007</td>
</tr>
<tr>
<td>Ying Wu</td>
<td>45</td>
<td>Executive Vice President and Vice Chairman of the Board, and Chairman and Chief Executive Officer for China</td>
<td>1995</td>
<td>2007</td>
</tr>
</tbody>
</table>

(1) Mr. Lenzmeier was originally appointed a Class I Director by unanimous written consent of the Board, effective March 15, 2005. Mr. Lenzmeier is now the Company’s nominee as a Class II Director, to take the place of Ms. Atkins, who is not seeking reelection.

(2) Mr. Clarke was appointed by unanimous written consent of the Board on January 17, 2005, replacing Masayoshi Son, who resigned from the Board effective as of September 15, 2004.

Except as set forth below, each nominee or incumbent Director has been engaged in his or her principal occupation described above during the past five years. There is no family relationship between any Director or executive officer of the Company.

Hong Liang Lu has served as our President, Chief Executive Officer and as a Director since June 1991, and as Chairman of the Board since March 2003. In June 1991, Mr. Lu co-founded the Company under its prior name, Unitech Telecom, Inc., which subsequently acquired StarCom Network Systems, Inc. in September 1995. From 1986 through December 1990, Mr. Lu served as President and Chief Executive Officer of Kyocera Unison, a majority–owned subsidiary of Kyocera International, Inc. He served as President and Chief Executive Officer of Unison World, Inc., a software development company from 1983 until its merger with Kyocera in 1986. From 1979 to 1983, he served as Vice President and Chief Operating
Officer of Unison World, Inc. Mr. Lu also serves as a director of Shanda Interactive Entertainment Ltd. Mr. Lu holds a B.S. in Civil Engineering from the University of California at Berkeley.

Jeff Clarke has served as a Director since January 17, 2005. Starting in April 2004, Mr. Clarke has served as the Chief Operating Officer of Computer Associates International, Inc., a global provider of management software. From 2002 to 2004, Mr. Clarke was Executive Vice President, Global Operations of Hewlett-Packard Company, and prior to that he was the Chief Financial Officer of Compaq Computer Corporation. Mr. Clarke holds a B.A. in Economics from the State University of New York at Geneseo and an M.B.A. from Northeastern University.

Larry Horner has served as a Director since January 2000. Mr. Horner has been a director of ConocoPhillips since 1991, and he also serves on the board of directors of Atlantis Plastics, Inc., Clinical Data Inc., Technical Olympic USA, Inc. and New River Pharmaceuticals, Inc. From 1994 until 2001, Mr. Horner served as Chairman of Pacific USA Holdings Corp., and as Chairman and Chief Executive Officer of Asia Pacific Wire & Cable Corporation Limited. Mr. Horner formerly served as Chairman and Chief Executive Officer of KPMG Peat Marwick from 1984 to 1990. Mr. Horner, a Certified Public Accountant, holds a B.S. from the University of Kansas and is a graduate of the Stanford Executive Program.

Allen Lenzmeier has served as a Director since March 15, 2005. Mr. Lenzmeier has served as the Vice Chairman of Best Buy Co. Inc. since December 2004. From 2002 to 2004, Mr. Lenzmeier served as the President and Chief Operating Officer of Best Buy Co. Inc. Mr. Lenzmeier served as the President of Best Buy Retail from 2001 to 2002. From 1991 to 2001 he served as the Executive Vice President and Chief Financial Officer of Best Buy Co. Inc. and began his employment with the company in 1984. Mr. Lenzmeier holds a B.S. from Minnesota State University Mankato.

Thomas Toy has served as a Director since February 1995. Since March 1999, Mr. Toy has served as Managing Director of PacRim Venture Partners, a professional venture capital firm specializing in investments in the information technology sector. From 1987 until 1992, Mr. Toy was employed as a Vice President at Technology Funding, and was a partner there from 1992 until 1999. While at Technology Funding, Mr. Toy was Managing Director of Corporate Finance and headed the firm’s investment committee. Mr. Toy also serves as a director of White Electronic Designs Corporation and several private companies. Mr. Toy holds B.A. and M.M. degrees from Northwestern University.

Ying Wu has served as our Executive Vice President and Vice Chairman of the Board since October 1995. Mr. Wu has also served as Chairman and Chief Executive Officer, and, until February 2004, as President, of one of our subsidiaries, UTStarcom China Co., Ltd., beginning his duties there in October 1995. Mr. Wu was a co-founder, and from February 1991 to September 1995 served as Senior Vice President, of StarCom Network Systems, Inc., a company that marketed and distributed third party telecommunications equipment. From 1988 to 1991, Mr. Wu served as a member of the technical staff of Bellcore Laboratories. From 1987 to 1988, Mr. Wu served as a consultant at AT&T Bell Labs. Mr. Wu also serves as a director of AsiaInfo Holdings, Inc. He holds a B.S. in Electrical Engineering from Beijing Industrial University and an M.S. in Electrical Engineering from the New Jersey Institute of Technology.

The Company’s Director Nomination Process

The Board’s process for identifying and evaluating nominees for Director consists mainly of evaluating candidates who are recommended by the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee identifies and recommends nominees for election or reelection to the Board, or for appointment to fill any vacancy that is anticipated or has arisen on the Board, in accordance with the criteria, policies and principles set forth in the Company’s Corporate Governance Guidelines and the Nominating and Corporate Governance Committee Charter, or otherwise approved by the Board.
The Board may also, on a periodic basis, solicit ideas for possible candidates from a number of sources, including current members of the Board, senior Company executives, individuals personally known to members of the Board, and employment of one or more professional search firms. The Company engaged Christian & Associates, LLC, a professional search firm, with respect to the identification of candidates that included Mr. Clarke and Mr. Lenzmeier.

Stockholder nominations of Director candidates will be given the same consideration and evaluated with the same criteria as candidates that are recommended internally. The form and delivery requirements of such stockholder nominations must comply with the relevant provisions of the Bylaws, copies of which may be obtained by sending an email to the Company’s investor relations department at investorrelations@utstar.com.

Board Attendance, Director Independence and Financial Sophistication

Of our incumbent directors standing for reelection and those with continuing terms, Messrs. Horner, Toy, Clarke and Lenzmeier have been determined to be independent as set forth in Rule 4200(a)(15) of the Nasdaq Marketplace Rules, the listing standards of The Nasdaq Stock Market, as currently in effect. In addition, the Board has also determined that each of Messrs. Horner, Toy, Clarke and Lenzmeier possess the attributes to be considered financially sophisticated for purposes of applicable Nasdaq Marketplace Rules and has the background to be considered an “audit committee financial expert” as defined by the rules and regulations of the SEC and required by the Nasdaq Marketplace Rules.

The Board held a total of 14 meetings during the fiscal year ended December 31, 2004. During fiscal year 2004, each of the Directors attended 75% or more of the meetings of the Board and the committees of the Board on which the Director served subsequent to becoming a Director or a member of such committee, except for Mr. Son, who resigned from the Board effective September 15, 2004. It is the Board’s policy that Directors are encouraged to attend the Annual Meeting. Two Directors attended the 2004 annual meeting of stockholders.

The three principal standing committees of the Board are the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee, each of which consists solely of independent Directors. The Board has also authorized a Disinterested Director Committee, which consists of two employee Directors. In addition to these committees, the Board has appointed Mr. Horner as Lead Director. The Lead Director’s responsibilities include, among other things, facilitating communications among Directors, working with the Chief Executive Officer to ensure appropriate information flows to the Board, chairing an executive session of the independent Directors at regularly scheduled meetings as required by Nasdaq Marketplace Rule 4350(c)(2), overseeing processes established for stockholder communication with members of the Board, and acting as a liaison between disinterested Directors and interested parties in the case of related-party transactions or other such matters. The Lead Director is not an employee of the Company or a holder of 5% or more of our issued and outstanding Common Stock.

Stockholder Communications with the Board

The Board has established a process for stockholders to communicate with members of the Board, which includes the creation of the Lead Director position. All concerns, questions or complaints regarding our compliance with any policy or law, or any other Board related communication, should be directed to the Board via the link entitled “Email Board of Directors” at http://investorrelations.utstar.com. All such communications will be received and reviewed by one or more independent Directors or officers acting under their direction, who will prepare a report for the Board or particular Board committees, as appropriate. In the case of accounting, audit or internal control matters, the Audit Committee will have the opportunity to discuss stockholder inquiries and oversee any action as appropriate.
Board Committees and Related Functions

Audit Committee

The Audit Committee of the Board, currently consisting of Mr. Horner, who chairs the committee, Ms. Atkins and Messrs. Clarke, Toy and Lenzmeier, held 23 meetings during the last fiscal year. The Audit Committee, among other duties and responsibilities: (i) reviews and approves the annual appointment of our independent registered public accounting firm; (ii) discusses and reviews in advance the scope and fees of the annual audit; (iii) reviews the results of the audit with the independent registered public accounting firm and discusses the foregoing with our management; (iv) reviews and approves non−audit services of the independent registered public accounting firm; (v) reviews compliance with our existing major accounting and financial reporting policies; (vi) reviews and approves in advance all related−party transactions that would require disclosure pursuant to the rules of the SEC and the policies and procedures related to such transactions; and (vii) provides oversight and monitoring of our management and their activities with respect to our financial reporting process. In connection with the execution of the responsibilities of the Audit Committee, including the review of our quarterly earnings reports prior to public release, Audit Committee members communicated throughout 2004 with our management and the independent registered public accounting firm.

Each member of the Audit Committee meets the applicable independence and financial literacy requirements of the Nasdaq Marketplace Rules and the SEC. Further, Messrs. Horner, Clarke, Toy and Lenzmeier have been determined by the Board to meet the “financial expert” requirements of the same SEC and Nasdaq Marketplace Rules. On March 29, 2004, the Board approved a revised charter of the Audit Committee, a copy of which was filed as an attachment to the Company’s proxy statement for the 2004 annual meeting of stockholders.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee, currently consisting of Mr. Clarke, who succeeded Ms. Atkins as chair of the committee in April 2005, Ms. Atkins and Messrs. Horner and Toy, held one formal meeting and several informal meetings during the last fiscal year. Each member of the Nominating and Corporate Governance Committee meets the applicable independence requirements of the Nasdaq Marketplace Rules.

The Nominating and Corporate Governance Committee’s responsibilities include the selection of Director nominees for the Board and the development and annual review of our governance principles. The Nominating and Corporate Governance Committee also: (i) assists the Board by actively identifying individuals qualified to become Board members; (ii) recommends Director nominees to the Board for election at the next annual meeting of stockholders; (iii) monitors significant developments in the law and practice of corporate governance and of the duties and responsibilities of directors of public companies; (iv) leads the Board in its annual performance self−evaluation, including establishing criteria to be used in connection with such evaluation; (v) oversees compliance with the Company’s Code of Business Conduct and Ethics; and (vi) develops and recommends to the Board and administers the corporate governance guidelines of the Company.

On March 29, 2004, the Board adopted a formal charter of the Nominating and Corporate Governance Committee, addressing the nominations process and such related matters as may be required under federal securities laws and Nasdaq Marketplace Rule 4350(c)(4)(B). A copy of this charter was filed as an attachment to the Company’s proxy statement for the 2004 annual meeting of stockholders.
Compensation Committee

The Compensation Committee of the Board, currently consisting of Mr. Toy, who chairs the committee, Ms. Atkins and Messrs. Lenzmeier and Horner, held two meetings during the last fiscal year. The authority and duties of the Compensation Committee include, among others: (i) approving and overseeing the total compensation package for the Company’s executives; (ii) reviewing and approving corporate goals and objectives relevant to the compensation of our Chief Executive Officer; (iii) reviewing and making recommendations to the Board regarding all new employment agreements or arrangements; (iv) reviewing and making recommendations to the Board regarding long−term incentive compensation or equity plans, programs or similar arrangements of the Company; and (v) preparing an annual report on executive compensation as required by the SEC to be included in our annual proxy statement filed with the SEC. Each member of the Compensation Committee meets the applicable independence requirements of the Nasdaq Marketplace Rules.

The charter for the Compensation Committee provides that the purpose of such committee is to discharge the responsibilities of the Board relating to all compensation, including equity compensation of the Company’s executives. The charter also generally provides the membership requirements, authority and duties of the Compensation Committee. The Compensation Committee shall consist of no fewer than three members, all of whom (i) meet the independence requirements of the Nasdaq Marketplace Rules, (ii) are “non−employee directors” under the definition of Rule 16b−3 promulgated under Section 16 of the Exchange Act; and (iii) are “outside directors” for purposes of the regulations promulgated under Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Internal Revenue Code”). The chair of the Compensation Committee is appointed by the Board. The Compensation Committee must conduct a self−evaluation annually and report such findings to the Board. In addition, the Compensation Committee must periodically assess the adequacy of its charter and recommend changes to the Board.

Disinterested Director Committee

On March 29, 2004, the Board authorized a Disinterested Director Committee, granting it authority over compensation matters for Directors who are not employees of the Company or beneficial owners of greater than 5% of our outstanding stock (“Non−Employee Directors”). The Disinterested Director Committee originally consisted of any two of Messrs. Lu, Wu and Son (who resigned from the Board effective September 15, 2004), and on March 30, 2005 was reauthorized with Messrs. Lu and Wu as its only members.

Director Compensation

Directors who are employees of the Company receive no additional compensation for serving on the Board. In 2004, Non−Employee Directors received a quarterly participation fee of $8,750 for services rendered as to both full meetings of the Board and committee meetings.

Starting in 2005, Non−Employee Directors receive a quarterly participation fee of $10,000 for services rendered as to full meetings of the Board. In addition, Non−Employee Directors receive annual retainer fees for committee membership and other duties as follows:

- Lead Director: $20,000;
- Audit Committee: $10,000 for chair, $3,500 for members;
- Compensation Committee: $5,000 for chair, $3,000 for members; and
- Corporate Governance and Nominating Committee: $5,000 for chair, $2,000 for members.
In January 2005, in recognition of services rendered in 2004, we also paid Mr. Horner, our Lead Director, a one–time compensation award of $25,000, and Mr. Toy and Ms. Atkins, both Non–Employee Directors, a one–time compensation award of $20,000.

We reimburse all Directors for travel and other related expenses incurred in connection with the business of the Company, including attending stockholder meetings, meetings of the Board or any Board committee.

Non–Employee Directors are also eligible to participate in our 2001 Director Stock Option Plan. Under the plan, each Non–Employee Director is automatically awarded options to purchase 80,000 shares of Common Stock (the “First Option”) on the date on which such person first becomes a Non–Employee Director (or the date on which the plan was initially adopted). The First Option vests in equal installments of 25% per year on each of the first four anniversaries of the date of grant. After the First Option has fully vested, each Non–Employee Director will receive an automatic annual grant of an option to purchase 20,000 shares of Common Stock (an “Annual Option”). The Annual Option vests in full on the first anniversary of the date of grant. If, following a change in control of the Company, a Non–Employee Director’s status as a Director of the Company or the successor corporation is terminated (other than as a result of voluntary resignation), the options become fully exercisable and remain exercisable for the remainder of the relevant term. The exercise price of all options granted under the plan is 100% of the fair market value of our Common Stock on the date of grant. The options expire ten years after the date of grant, subject to earlier termination if the individual ceases to serve as a Director.

On May 11, 2001, we granted a First Option to each of Messrs. Horner and Toy, on March 20, 2002, we granted a First Option to Ms. Atkins, on January 17, 2005, we granted a First Option to Mr. Clarke and on March 15, 2005 we granted a First Option to Mr. Lenzmeier. The options have exercise prices of $22.71, $23.02, $16.96 and $13.14, respectively, and will be fully vested on May 11, 2005, March 20, 2006, January 17, 2009 and March 15, 2009, respectively. To date, no Non–Employee Director has been awarded an Annual Option.

It is also our policy to grant each Non–Employee Director an annual option grant for 25,000 shares pursuant to our 1997 Stock Plan. These annual option grants vest over one year in equal monthly installments. Pursuant to this policy, on August 27, 2004, the Company granted an option to purchase 25,000 shares of Common Stock to each of Ms. Atkins and Messrs. Horner and Toy with an exercise price of $16.34 per share. If, following a change in control of the Company, a Non–Employee Director’s status with the Company or the successor corporation is terminated (other than as a result of voluntary resignation), the options will become fully exercisable and remain exercisable for the remainder of the applicable term. On April 12, 2005, the Disinterested Director Committee extended the post termination period of exercisability from three months to twelve months for the options granted on August 27, 2004. We have proposed to formalize these policies in connection with the adoption of the 2005 Equity Incentive Plan as further described in Proposal 2 below. Assuming stockholder approval, grants currently made by the Disinterested Director Committee will be made automatically under the 2005 Equity Incentive Plan.
The following table sets forth certain information with respect to beneficial ownership of our Common Stock as of March 31, 2005 (except as otherwise indicated), by: (i) each person who is known by us to own beneficially more than 5% of our Common Stock; (ii) each of our President and Chief Executive Officer and the four other highest paid executive officers serving as executive officers at the end of the 2004 fiscal year, (iii) each of the Company’s Directors; and (iv) all Directors and executive officers as a group. Except as indicated in the footnotes to this table, the persons named in the table have sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by them, subject to community property laws where applicable.

Calculations are based on a total number of outstanding shares of 114,841,976 shares as of March 31, 2005.

<table>
<thead>
<tr>
<th>Name and Address of Beneficial Owner</th>
<th>Shares Beneficially Owned(1)</th>
<th>Approximate Percent Owned(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entities affiliated with SOFTBANK CORP. (2)</td>
<td>14,651,630</td>
<td>12.76 %</td>
</tr>
<tr>
<td>FMR Corp. (3)</td>
<td>8,223,850</td>
<td>7.16 %</td>
</tr>
<tr>
<td>Ying Wu (4)</td>
<td>4,801,643</td>
<td>4.16 %</td>
</tr>
<tr>
<td>Hong Liang Lu (5)</td>
<td>4,013,589</td>
<td>3.46 %</td>
</tr>
<tr>
<td>William Huang (6)</td>
<td>1,091,641</td>
<td>*</td>
</tr>
<tr>
<td>Shao–Ning J. Chou (7)</td>
<td>598,236</td>
<td>*</td>
</tr>
<tr>
<td>Michael Sophie (8)</td>
<td>351,004</td>
<td>*</td>
</tr>
<tr>
<td>Larry Horner (9)</td>
<td>189,024</td>
<td>*</td>
</tr>
<tr>
<td>Thomas Toy (10)</td>
<td>147,049</td>
<td>*</td>
</tr>
<tr>
<td>Betsy Atkins (11)</td>
<td>95,753</td>
<td>*</td>
</tr>
<tr>
<td>Jeff Clarke</td>
<td>0</td>
<td>*</td>
</tr>
<tr>
<td>Allen Lenzmeier</td>
<td>0</td>
<td>*</td>
</tr>
<tr>
<td>All current directors and officers as a group (10 persons) (12)</td>
<td>11,287,939</td>
<td>9.54 %</td>
</tr>
</tbody>
</table>

* Less than 1%

(1) Includes any shares issuable pursuant to options held by the person or group in question that may be exercised within 60 days of March 31, 2005.

(2) Includes 14,651,630 shares registered in the name of SOFTBANK America Inc., a Delaware corporation. SOFTBANK America Inc. is a wholly owned subsidiary of SOFTBANK Holdings Inc., a Delaware corporation. SOFTBANK Holdings Inc. is a wholly owned subsidiary of SOFTBANK CORP., a Japanese corporation. The business address for these entities is c/o SOFTBANK CORP., 24 1 Nihonbashi Hakozakicho, Chuoku, Tokyo 103 8501 Japan.

(3) Includes 7,773,850 shares beneficially owned by Fidelity Management & Research Company and 450,000 shares beneficially owned by Fidelity International Limited. FMR Corp. has sole dispositive power over 8,223,850 shares. FMR Corp. has sole power to vote or to direct the voting of 450,000 shares. The business address for FMR Corp. is 82 Devonshire Street, Boston, MA 02109.

(4) Includes (i) 1,505,500 shares registered in the name of Wu Partners, a California Limited Partnership, of which Mr. Wu is general partner, (ii) 1,080,000 shares registered in the name of Stonybrook Investors L.P., (iii) 4,868 shares registered in the name of Wu Living Trust, (iv) 4,873 shares registered in the name of Ashley Wu Trust—1998 and (v) 4,873 shares registered in the name of Richard Wu Trust—1998. Ashley Wu and Richard Wu are Mr. Wu’s children. Mr. Wu may be
deemed the beneficial owner of the shares. Also includes 684,842 shares issuable upon exercise of options that are exercisable within 60 days of March 31, 2005.

(5) Includes (i) 229,000 shares owned by The Lu Family Limited Partnership, of which Mr. Lu is a general partner, (ii) 130,000 shares registered in the name of Lu Charitable Remainder Trust, of which Mr. Lu is the trustee, (iii) 5,332 shares registered in the name of Benjamin Lu, and (iv) 5,332 shares registered in the name of Melissa Lu. Benjamin Lu and Melissa Lu are Mr. Lu’s children. Mr. Lu may be deemed the beneficial owner of the shares. Also includes 1,242,500 shares issuable upon exercise of options that are exercisable within 60 days of March 31, 2005.

(6) Includes (i) 106,000 shares owned by the 2000 Huang Family Limited Partnership, of which Mr. Huang is a general partner, (ii) 6,600 shares registered in the name of Alexander Huang, and (iii) 6,600 shares registered in the name of Helen Huang. Alexander Huang and Helen Huang are Mr. Huang’s children. Mr. Huang may be deemed the beneficial owner of the shares. Also includes 311,461 shares issuable upon exercise of options that are exercisable within 60 days of March 31, 2005.

(7) Includes 547,815 shares issuable upon exercise of options that are exercisable within 60 days of March 31, 2005.

(8) Includes 320,538 shares issuable upon exercise of options that are exercisable within 60 days of March 31, 2005.

(9) Includes 157,249 shares issuable upon exercise of options that are exercisable within 60 days of March 31, 2005.

(10) Includes 147,049 shares issuable upon exercise of options that are exercisable within 60 days of March 31, 2005.

(11) Includes 95,753 shares issuable upon exercise of options that are exercisable within 60 days of March 31, 2005.

(12) Includes a total of 3,507,207 shares issuable upon exercise of options that are exercisable within 60 days of March 31, 2005.
Our executive officers and their ages as of May 13, 2005 are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hong Liang Lu</td>
<td>50</td>
<td>President, Chief Executive Officer and Chairman of the Board</td>
</tr>
<tr>
<td>Ying Wu</td>
<td>45</td>
<td>Executive Vice President and Vice Chairman of the Board, Chairman and Chief Executive Officer for China</td>
</tr>
<tr>
<td>Michael Sophie</td>
<td>47</td>
<td>Senior Vice President of Finance, Chief Financial Officer and Assistant Secretary</td>
</tr>
<tr>
<td>William Huang</td>
<td>42</td>
<td>Senior Vice President and Chief Technology Officer</td>
</tr>
<tr>
<td>Shao Ning J. Chou</td>
<td>43</td>
<td>Senior Vice President, President and Chief Operating Officer for China</td>
</tr>
</tbody>
</table>

*Hong Liang Lu* has served as our President, Chief Executive Officer and Director since June 1991. Mr. Lu has served as the Chairman of the Board since March 2003. In June 1991, Mr. Lu co-founded UTStarcom under its prior name, Unitech Telecom, Inc., which subsequently acquired StarCom Network Systems, Inc. in September 1995. From 1986 through December 1990, Mr. Lu served as President and Chief Executive Officer of Kyocera Unison, a majority owned subsidiary of Kyocera International, Inc. He served as President and Chief Executive Officer of Unison World, Inc., a software development company from 1983 until its merger with Kyocera in 1986. From 1979 to 1983, he served as Vice President and Chief Operating Officer of Unison World, Inc. Mr. Lu also serves as a director of Shanda Interactive Entertainment Ltd. Mr. Lu holds a B.S. in Civil Engineering from the University of California at Berkeley.

*Ying Wu* has served as our Executive Vice President and Vice Chairman of the Board since October 1995. Mr. Wu has also served as the Chairman and Chief Executive Officer, and, until February 2004, as President, of one of our subsidiaries, UTStarcom China Co., Ltd., beginning his duties there in October 1995. Mr. Wu was a co-founder, and from February 1991 to September 1995 served as Senior Vice President, of StarCom Network Systems, Inc., a company that marketed and distributed third party telecommunications equipment. From 1988 to 1991, Mr. Wu served as a member of the technical staff of Bellcore Laboratories. From 1987 through 1988, Mr. Wu served as a consultant at AT&T Bell Labs. Mr. Wu also serves as a director of AsialInfo Holdings, Inc. He holds a B.S. in Electrical Engineering from Beijing Industrial University and an M.S. in Electrical Engineering from the New Jersey Institute of Technology.

*Michael Sophie* has been our Chief Financial Officer since August 1999, and was appointed Senior Vice President of Finance in January 2003. Prior to joining our Company, Mr. Sophie held executive positions at P−Com, Inc. from August 1993 to August 1999, including Vice President Finance, Chief Financial Officer and Group President. From 1989 through 1993, Mr. Sophie was Vice President of Finance at Loral Fairchild Corporation. Mr. Sophie also serves as a director of McData Corporation. He holds a B.S. from California State University, Chico and an M.B.A. from the University of Santa Clara.

*William Huang* has been our Chief Technology Officer since September 1999, and was appointed our Senior Vice President in September 2001. From December 1996 to September 1999, he was our Vice President of Strategic Product Planning. From June 1995 to December 1996, Mr. Huang served as our Vice President, China Operations. From 1994 to June 1995, Mr. Huang was our Director, Engineering. From 1992 to 1994, he was a member of the technical staff and project leader at AT&T Systems. Mr. Huang serves on the board of Shenzhen Gin De (Group) Ltd., a publicly listed real estate investment company in China. Mr. Huang holds a B.S. in Electrical Engineering from Huazhong University of Science & Technology, and an M.S. in Electrical Engineering and Computer Sciences from the University of Illinois.
Shao-Ning J. Chou has been our Executive Vice President and Chief Operating Officer for China since July 1996. He was appointed Senior Vice President in September 2001, and President of UTStarcom China Co., Ltd. in February 2004. From March 1997 to December 1998 he was Vice President of UTStarcom China Co., Ltd., and from February 1996 to March 1997 he served as Vice President of Engineering. From March 1995 to June 1996, he was Director of Engineering for wireless systems and software with Lucent Technologies Microelectronics IC group. From April 1993 to March 1995, he was a Technical Manager for the Global Wireless product group with AT&T consumer products where he led multiple development teams for handset and wireless personal base station products. From February 1985 to April 1993, Mr. Chou was team leader and a member of the technical staff for advanced digital communication research at AT&T Bell Laboratories where he led and engaged in data communication equipment and multimedia product development. Mr. Chou holds a B.S. in Electrical Engineering from City College of New York, an M.S. in Engineering from Princeton University and an M.B.A. from the State University of New Jersey, Rutgers.

Executive Compensation

The table below sets forth information for the three most recently completed fiscal years concerning the compensation of the Chief Executive Officer and our other executive officers.(1)

Summary Compensation Table

<table>
<thead>
<tr>
<th>Name and Principal Position</th>
<th>Fiscal Year</th>
<th>Salary ($)</th>
<th>Bonus ($)</th>
<th>Other Annual Compensation ($)</th>
<th>Securities Underlying Options/SARs (#)</th>
<th>All Other Compensation(4) ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hong Liang Lu</td>
<td>2004</td>
<td>$700,000</td>
<td>—</td>
<td>—</td>
<td>250,000</td>
<td>$20,500</td>
</tr>
<tr>
<td>President, Chief Executive</td>
<td>2003</td>
<td>$500,000</td>
<td>$325,000</td>
<td>—</td>
<td>120,000</td>
<td>$5,469</td>
</tr>
<tr>
<td>Officer and Chairman of the Board</td>
<td>2002</td>
<td>$300,000</td>
<td>$150,000</td>
<td>—</td>
<td>225,000</td>
<td>$14,625</td>
</tr>
<tr>
<td>Ying Wu</td>
<td>2004</td>
<td>$500,000</td>
<td>—</td>
<td>—</td>
<td>200,000</td>
<td>$5,500</td>
</tr>
<tr>
<td>Executive Vice President</td>
<td>2003</td>
<td>$400,000</td>
<td>$250,000</td>
<td>$81,007(2)</td>
<td>85,000</td>
<td>$5,500</td>
</tr>
<tr>
<td>and Vice Chairman</td>
<td>2002</td>
<td>$250,000</td>
<td>$125,000</td>
<td>$78,697(2)</td>
<td>150,000</td>
<td>$13,682</td>
</tr>
<tr>
<td>Shao-Ning J. Chou</td>
<td>2004</td>
<td>$400,000</td>
<td>—</td>
<td>—</td>
<td>150,000</td>
<td>$5,500</td>
</tr>
<tr>
<td>Senior Vice President</td>
<td>2003</td>
<td>$300,000</td>
<td>$250,000</td>
<td>$859,162 (3)</td>
<td>75,000</td>
<td>$5,500</td>
</tr>
<tr>
<td>and Senior Vice President</td>
<td>2002</td>
<td>$210,000</td>
<td>$105,000</td>
<td>$2,563,253 (3)</td>
<td>150,000</td>
<td>$13,663</td>
</tr>
<tr>
<td>Michael Sophie</td>
<td>2004</td>
<td>$400,000</td>
<td>—</td>
<td>—</td>
<td>150,000</td>
<td>$13,000</td>
</tr>
<tr>
<td>Chief Financial Officer</td>
<td>2003</td>
<td>$300,000</td>
<td>$200,000</td>
<td>—</td>
<td>75,000</td>
<td>$5,500</td>
</tr>
<tr>
<td>and Senior Vice President</td>
<td>2002</td>
<td>$250,000</td>
<td>$125,000</td>
<td>—</td>
<td>150,000</td>
<td>$11,088</td>
</tr>
<tr>
<td>William Huang</td>
<td>2004</td>
<td>$300,000</td>
<td>—</td>
<td>—</td>
<td>100,000</td>
<td>$5,500</td>
</tr>
<tr>
<td>Chief Technology Officer</td>
<td>2003</td>
<td>$250,000</td>
<td>$100,000</td>
<td>—</td>
<td>50,000</td>
<td>$2,344</td>
</tr>
<tr>
<td>and Senior Vice President</td>
<td>2002</td>
<td>$200,000</td>
<td>$100,000</td>
<td>—</td>
<td>120,000</td>
<td>$9,863</td>
</tr>
</tbody>
</table>

(1) We have provided full disclosure for all our Section 16 executive officers, which includes the “named executive officers” as defined in Item 402(a)(3) of Regulation S−K.

(2) Consists of (i) a housing and children’s education allowance of $68,350 in 2002 and $68,350 in 2003 paid in connection with Mr. Wu’s international work assignment, and (ii) a tax assistance payment of $10,347 in 2002 and $12,657 in 2003 paid in connection with our tax equalization policy whereby we provided qualified employees with tax assistance to mitigate the tax differential arising from an employee’s international work assignment.

(3) Consists of (i) a housing allowance of $36,000 in 2002 and $36,000 in 2003 paid in connection with Mr. Chou’s international work assignment, and (ii) a tax assistance payment of $2,527,253 in 2002 and
$823,162 in 2003 paid in connection with our tax equalization policy whereby we provide qualified employees with tax assistance to mitigate the tax differential arising from an employee’s international work assignment. $2,239,432 of the tax assistance payments made in 2002 and $691,771 of the tax assistance payments made in 2003 were paid in connection with the deferred payment of a tax levied by the People’s Republic of China on gains realized from the exercise of stock options in 2001. While U.S. tax regulations require that these amounts be recorded as income, due to general limitation rules a portion of Mr. Chou’s paid foreign tax has been recovered by us pursuant to our tax equalization policy.

(4) All other compensation for 2004 consists of 401(K) match payments and tax and investment advice paid by us on behalf of certain of our executive officers.

**Option Grants**

The following table sets forth certain information with respect to stock option grants to our executive officers during the fiscal year ended December 31, 2004.

**Option Grants in Last Fiscal Year**

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of Securities Underlying Options Granted(1)</th>
<th>% of Total Options Granted to Employees in Fiscal Year 2004(2)</th>
<th>Exercise Price Per Share</th>
<th>Expiration Date</th>
<th>Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(3)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5%</td>
</tr>
<tr>
<td>Hong Liang Lu</td>
<td>250,000</td>
<td>4.3%</td>
<td>$ 37.46</td>
<td>1/19/2014</td>
<td>$ 5,889,598</td>
</tr>
<tr>
<td>Ying Wu</td>
<td>200,000</td>
<td>3.4%</td>
<td>$ 37.46</td>
<td>1/19/2014</td>
<td>$ 4,711,679</td>
</tr>
<tr>
<td>Michael Sophie</td>
<td>150,000</td>
<td>2.6%</td>
<td>$ 37.46</td>
<td>1/19/2014</td>
<td>$ 3,533,759</td>
</tr>
<tr>
<td>Shao Ning J. Chou</td>
<td>150,000</td>
<td>2.6%</td>
<td>$ 37.46</td>
<td>1/19/2014</td>
<td>$ 3,533,759</td>
</tr>
<tr>
<td>William Huang</td>
<td>100,000</td>
<td>1.7%</td>
<td>$ 37.46</td>
<td>1/19/2014</td>
<td>$ 2,355,839</td>
</tr>
<tr>
<td>Total Grants in 2004</td>
<td>5,875,197</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) All options were granted pursuant to our 1997 Stock Plan. The options have a ten−year term and vest and become exercisable over four years. In the event of a change in control of the Company, the options will be substituted by the successor corporation or will fully vest and become exercisable for a period of 15 days.

(2) Based on an aggregate of 5,875,197 shares subject to options granted to our employees in 2004.

(3) The potential realizable value represents amounts, net of exercise price before taxes, which may be realized upon exercise of the options immediately prior to the expiration of the terms of such options, assuming appreciation of 5% and 10% over the option term. The 5% and 10% rates are calculated based on rules promulgated by the SEC based upon a per share market price of the Common Stock underlying the options at the time the options were granted and do not reflect the Company’s estimate of future stock price growth. The actual value realized may be greater or less than the potential realizable value set forth in the table.

**Option Exercises and Values**

The following table sets forth information for our executive officers relating to the number and value of securities underlying exercisable and unexercisable options they held at December 31, 2004, and sets forth the number of shares of Common Stock acquired and the value realized upon exercise of stock options held as of December 31, 2004 by our executive officers.
Aggregate Option Exercises in Last Fiscal Year and Fiscal Year End Option Values

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of Shares Acquired on Exercise</th>
<th>Value Realized(1)</th>
<th>Number of Securities Underlying Unexercised Options at December 31, 2004</th>
<th>Value of Unexercised In−the−Money Options at December 31, 2004(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hong Liang Lu</td>
<td>$—</td>
<td>—</td>
<td>1,206,563</td>
<td>$10,776,788</td>
</tr>
<tr>
<td>Ying Wu</td>
<td>$—</td>
<td>—</td>
<td>660,362</td>
<td>$4,651,154</td>
</tr>
<tr>
<td>Michael Sophie</td>
<td>9,839</td>
<td>$212,555</td>
<td>297,099</td>
<td>$671,949</td>
</tr>
<tr>
<td>Shao Ning J. Chou</td>
<td>$—</td>
<td>—</td>
<td>519,167</td>
<td>$1,795,369</td>
</tr>
<tr>
<td>William Huang</td>
<td>9,582</td>
<td>$24,539</td>
<td>293,751</td>
<td>$1,077,833</td>
</tr>
</tbody>
</table>

(1) The “Value Realized” is based on the closing price of our Common Stock as quoted on The Nasdaq National Market on the date of exercise, minus the per share exercise price, multiplied by the number of shares issued upon exercise of the option.

(2) The value of unexercised in-the-money options is calculated based on the difference between the closing price of $22.15 per share as quoted on The Nasdaq National Market on December 31, 2004, and the exercise price for the shares, multiplied by the number of shares underlying the option.

Employment Contracts and Change of Control Arrangements

We have entered into Change of Control Severance Agreements with Messrs. Sophie, Lu, Wu, Chou and Huang dated April 12, 2002, January 17, 2003, January 31, 2003, January 31, 2003 and January 31, 2003, respectively. These agreements provide that if the employee’s employment with us terminates as a result of involuntary termination at any time within 12 months after a change of control, (i) such employee will be entitled to 24 months of base salary as in effect as of the date of such termination payable in a lump sum within 30 days of termination and 100% of the bonus for the year in which termination occurs, (ii) all stock options granted to such employee will become fully vested and exercisable as of the date of termination and all stock held by him that is subject to a right of repurchase by the Company that was purchased prior to the change of control will have such right lapse, and (iii) we will continue to provide such employee the same level of health coverage as in effect on the day immediately preceding the termination date until the earlier of the date such employee is no longer eligible to receive continuation coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, or 12 months from the termination date. In the event that the severance and other benefits provided pursuant to the Change of Control Severance Agreement between us and such employee constitute “parachute payments” within the meaning of Section 280G of the Internal Revenue Code and would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code, such employee’s benefits under the Change of Control Severance Agreement shall be either delivered in full or delivered as to such lesser extent which would result in no portion of such benefits being subject to the excise tax, whichever results in the receipt by the employee, on an after-tax basis, of the greatest amount of benefits.

For the purpose of the Change of Control Severance Agreements for Messrs. Lu, Wu, Sophie, Chou and Huang, “involuntary termination” includes (i) without the employee’s express written consent, a significant reduction of the employee’s duties, position or responsibilities relative to the employee’s duties, position or responsibilities in effect immediately prior to such reduction, or the removal of the employee from such position, duties and responsibilities, unless the employee is provided with comparable duties, position and responsibilities (as, for example, following a change of control, our Chief Financial Officer is made the Chief Financial Officer of the acquiring entity), (ii) without the employee’s express written consent, a substantial reduction, without good business reasons, of the facilities and perquisites (including office space and location) available to the employee immediately prior to such reduction, (iii) a reduction by us of the employee’s base salary as in effect immediately prior to such reduction, (iv) a material
reduction by us in the kind or level of employee benefits to which the employee is entitled immediately prior to such reduction with
the result that the employee’s overall benefits package is significantly reduced, (v) the relocation of the employee to a facility or a
location more than 50 miles from his current location without the employee’s express written consent, (vi) any purported termination
of the employee by us which is not effected for cause or for which the grounds relied upon are not valid, or (vii) our failure to obtain
the assumption of the Change of Control Severance Agreement by any successor to the Company.

“Change of control” in these agreements is defined as (i) the approval by our stockholders of a merger or consolidation with any
other corporation, other than a merger or consolidation which would result in our voting securities outstanding immediately prior
thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity)
more than 50% of the total voting power represented by our voting securities or such surviving entity outstanding immediately after
such merger or consolidation, (ii) the approval by our stockholders of a plan to complete liquidation or an agreement for the sale or
disposition by the company of all or substantially all of our assets, (iii) any “person” (as such term is used in Sections 13(d) and
14(d) of the Exchange Act) becoming the “beneficial owner” (as defined in Rule 13d−3 under said Exchange Act), directly or
indirectly, of our securities representing 50% or more of the total voting power represented by our then outstanding voting securities,
or (iv) a change in the composition of the Board, as a result of which fewer than a majority of the Directors are incumbent Directors.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee consisted of Messrs. Toy and Horner throughout the 2004 fiscal year, and Ms. Atkins joined the
Compensation Committee in March 2004. Mr. Lenzmeier joined the Compensation Committee in April 2005. All members of the
Compensation Committee during 2004 were independent directors in accordance with the applicable independence requirements of
the Nasdaq Marketplace Rules, and none were employees or officers or former employees of the Company. During 2004, no executive
officer of the Company served on the compensation committee (or equivalent) or board of directors of another entity whose executive
officer(s) served on our Compensation Committee or Board.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our Directors and executive officers, and persons who own more than 10% of a
registered class of our equity securities (“Section 16 Filers”), to file with the SEC initial reports of ownership and reports of changes
in ownership of Common Stock and other equity securities of the Company. Such Section 16 Filers are required by SEC regulations to
furnish the Company with copies of all Section 16(a) forms they file.

To the Company’s knowledge, based solely on its review of the copies of such reports furnished to the Company and written
representations that no other reports were required, during the fiscal year ended December 31, 2004, all Section 16 Filers complied
with all Section 16(a) filing requirements except for the following inadvertent late filings: (i) Ms. Atkins, who is not standing for
reelection, filed a Form 4 on February 2, 2004 reporting one transaction late; (ii) Mr. Chou filed a Form 4 on October 19, 2004
reporting one transaction late; (iii) Mr. Huang filed a Form 4 on September 27, 2004 reporting one transaction late; (iv) Mr. Lu filed a
Form 4 on October 19, 2004 reporting one transaction late; (v) Mr. Sophie filed a Form 4 on October 19, 2004 reporting one
transaction late; and (vi) Mr. Wu filed Form 4s on January 8, 2004 and October 19, 2004 reporting two transactions late.
Introduction

The Compensation Committee of the Board of the Company was established on January 31, 1997. Mr. Toy, the Chairman of the Compensation Committee, and Mr. Horner served on the Committee throughout 2004. Ms. Atkins joined the Compensation Committee on March 29, 2004, and Mr. Lenzmeier joined the Compensation Committee on April 11, 2005.

During 2004, the Compensation Committee was comprised solely of Non-Employee Directors who were each: (i) independent as defined under the Nasdaq Marketplace Rules, (ii) a non–employee director for purposes of Rule 16b–3 of the Securities Exchange Act of 1934, as amended, and (iii) an outside director for purposes of Section 162(m) of the Internal Revenue Code. During 2005, the Committee will be comprised of directors who meet these same standards.

The primary purpose of the Compensation Committee is to discharge the responsibilities of the Company’s Board of Directors relating to all compensation, including equity compensation, of the Company’s executives. The Compensation Committee also has overall responsibility for evaluating and making recommendations to the Board regarding equity–based and cash variable compensation plans, policies and programs of the Company.

Compensation Philosophy

The philosophy of the Compensation Committee is to create a system in which employee compensation is tied to the performance of the Company, thereby promoting stockholder value. The Company’s compensation program consists of two principal components: cash–based compensation, both fixed and variable, and equity–based compensation. These two principal components are intended to attract, retain, motivate, increase the productivity of and reward, in a cost–effective manner, executives who are expected to manage both the short–term and long–term success and competitiveness of the Company. In addition, the Compensation Committee attempts to structure the compensation program to be regarded positively by the Company’s stockholders, employees, the financial community and the public in general.

Cash–based Compensation

The Compensation Committee believes that the annual cash compensation paid to executives should be commensurate with the performance of both the Company as a whole and the individual executive in question. For this reason, the Company’s executive cash compensation consists of base compensation (salary) and variable incentive compensation (annual bonus).

Base salaries for executive officers are established considering a number of factors, including the Company’s profitability, the individual performance and measurable contribution to the Company’s success of the executive in question and pay levels of similar positions with comparable companies in the industry. The Compensation Committee supports the Company’s compensation philosophy of moderation for elements such as base salary and benefits. Base salary decisions are made as part of the Company’s formal annual review process.

An executive’s annual performance award generally depends on the financial performance of the Company relative to profit targets and the executive’s individual performance with respect to the successful completion of objectives and goals deemed by the Company to be important in maximizing long–term return to the Company’s stockholders. These targets, objectives and goals are reviewed at least annually to meet the changing nature of the Company’s business. The incentive portion is set at a higher percentage for more senior officers, with the result that such officers have a higher percentage of their potential total cash compensation at risk.
Equity–based Compensation

The Compensation Committee administers an option program pursuant to which members of management, including the Company’s executive officers, may receive annual option grants upon a yearly review from a pool of shares set aside by the Company. The purpose of the option program is to provide additional incentive to executives and other key employees of the Company to work to maximize long–term return to the Company’s stockholders. The allocation of the option pool, other than the shares allocated to the President and Chief Executive Officer, is recommended by the President and Chief Executive Officer for approval by the Compensation Committee. The allocation of shares from the option pool to the President and Chief Executive Officer is determined solely by the Compensation Committee. In granting stock options to the executive officers and the President and Chief Executive Officer, the Compensation Committee considers a number of objective and subjective factors, including the executive’s position and responsibilities at the Company, such executive’s past and anticipated individual performance, current survey data with respect to market rates for option compensation and other factors that the Compensation Committee may deem relevant. Options generally vest over a four–year period to encourage optionholders to continue in the employ of the Company. The exercise price of options is the market price on the date of grant, ensuring that the option will acquire value only to the extent that the price of the Company’s common stock increases relative to the market price at the date of grant. On December 31, 2004, the Company adopted an immediate and full acceleration of vesting of shares covered by all stock options outstanding under the 1997 Stock Plan with a per share exercise price greater than $22.15 to mitigate the potential impact of FASB Statement No. 123(R), which requires the Company to expense unvested options starting on July 1, 2005. The Committee previously decided to reduce the use of stock options as a means of compensation for all employees in 2004 to help limit the Company’s anticipated future compensation cost with respect to equity incentives, once FASB Statement No. 123(R) becomes effective.

President and Chief Executive Officer Compensation

The Compensation Committee generally uses the same factors and criteria described above for compensation decisions regarding the President, Chief Executive Officer and Chairman of the Board. During the fiscal year ended December 31, 2004, Mr. Lu received a base salary of $700,000 for serving as the President, Chief Executive Officer and Chairman of the Board of the Company. No bonus was awarded to Mr. Lu with respect to the fiscal year ended December 31, 2004. However, in the fiscal year ended December 31, 2004, the Compensation Committee granted Mr. Lu options to purchase 250,000 shares of the Company’s Common Stock pursuant to the 1997 Stock Plan, based on his performance in the fiscal year ended December 31, 2003. As with other executives of the Company, Mr. Lu’s compensation was set at the discretion of the Board, based on the achievement of certain performance objectives of the Company. Criteria considered in the determination of Mr. Lu’s compensation included such factors as (i) the compensation provided to chief executive officers of companies comparable to the Company, (ii) specific benchmarks tied to the revenue, growth or profitability of the Company, (iii) decisions made by Mr. Lu in the past fiscal year that improved the business prospects or financial condition of the Company, and (iv) Mr. Lu’s leadership role in accomplishing specific goals set for the Company in the past fiscal year. The performance objectives are reviewed annually by the Compensation Committee to ensure that they are consistent with the Company’s compensation philosophy.

Compliance with Internal Revenue Code Section 162(m)

Section 162(m) of the Internal Revenue Code generally disallows a federal tax deduction to publicly held companies for compensation in excess of $1 million paid to the Company’s President and Chief Executive Officer and to each of the other four most highly compensated executive officers. For this purpose, compensation can include, in addition to cash compensation, the difference between the exercise price of stock options and the value of the underlying stock on the date of exercise. The Company’s policy
is to qualify, to the extent reasonable, its executive officers’ stock option grants for deductibility under applicable tax laws. However, the Compensation Committee believes that its primary responsibility is to provide a compensation program that will attract, retain and reward the executive talent necessary for the Company’s success because the Compensation Committee feels such objective is in the best interest of the Company’s stockholders. Consequently, the Compensation Committee recognizes that the loss of a tax deduction may be necessary in some circumstances.

Subsequent to the annual shareholder meeting of 2004, awards granted under the 1997 Stock Plan no longer qualify as performance–based compensation for 162(m) purposes and therefore are subject to the $1 million limit. Assuming the shareholders approve the 2005 Equity Incentive Plan, the Company will once again be able to issue options and other forms of equity compensation that is considered performance–based compensation and therefore exempt from the application of the $1,000,000 162(m) limit. As a result, the Committee has decided to delay executive officer grants, if any, until after the 2005 shareholder meeting so that, if shareholders approve the 2005 Equity Incentive Plan, the grants will qualify as performance–based compensation for 162(m) purposes.

Summary

The Compensation Committee believes that its compensation program to date has been fair and motivating, and has been successful in attracting and retaining qualified employees and in linking compensation directly to the Company’s success. The Compensation Committee intends to review this program on an ongoing basis to evaluate its continued effectiveness.

The Compensation Committee

Thomas Toy, Chairman
Betsy Atkins
Larry Horner
Allen Lenzmeier

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REPORT OF THE AUDIT COMMITTEE

The following is the report of the Audit Committee with respect to the Company’s audited financial statements for the fiscal year ended December 31, 2004. The information contained in this report shall not be deemed to be “soliciting material” or to be “filed” with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates the information by reference in such filing.

Established on January 31, 1997, the Audit Committee is currently comprised of five non−employee directors. Mr. Horner, the Chairman of the Audit Committee, Mr. Toy and Ms. Atkins served on the Audit Committee throughout 2004. Mr. Clarke joined the Audit Committee on January 17, 2005, and Mr. Lenzmeier joined the Audit Committee on March 15, 2005. The Board of Directors has determined that each of the members of the Audit Committee is independent as defined by Nasdaq Marketplace Rules and the SEC. The Board also determined that each member of the Audit Committee is “financially literate” and has accounting or related financial management expertise. The Board also determined that each of Messrs. Horner, Clarke, Lenzmeier and Toy is an “audit committee financial expert” as defined by SEC rules through his business and professional experience.

The purpose of the Audit Committee is to assist the Board of Directors in its general oversight of the Company’s financial reporting, internal controls and audit functions. The Audit Committee is directly responsible for the appointment, retention, evaluation, compensation, oversight and termination of the Company’s independent registered public accounting firm.

The Audit Committee reviews the results and scope of audit and other services provided by the independent auditors and reviews the accounting principles and auditing practices and procedures to be used in the Company’s financial reporting process, including its systems of internal control, and in the preparation of consolidated financial statements in accordance with generally accepted accounting principles. The Company’s independent registered public accounting firm for the last fiscal year, PricewaterhouseCoopers LLP (“PricewaterhouseCoopers”), is responsible for performing an independent audit of those financial statements. As more fully explained in the Audit Committee’s charter, the Audit Committee’s responsibility is to provide oversight of and to review those processes. The Audit Committee does not conduct auditing or accounting reviews or procedures, and relies on information and representations provided by management and the independent auditors. The Audit Committee has relied on management’s representation that the financial statements have been prepared with integrity and objectivity and in conformity with accounting principles generally accepted in the United States of America and on the representations of the independent auditors included in their report on the Company’s financial statements.

The Audit Committee held 23 meetings during the last fiscal year. The Audit Committee operates pursuant to a charter that it reviews annually.

Audited Financial Statements

The Audit Committee has reviewed the audited financial statements prepared for the fiscal year ended December 31, 2004. The Audit Committee has discussed the audited financial statements with various members of the management of the Company.

Management is responsible for maintaining adequate internal control over financial reporting and for assessing the effectiveness of internal control over financial reporting. In addition to its independent audit of the Company’s financial statements, PricewaterhouseCoopers has the responsibility for auditing management’s assessment of, and the effectiveness of, internal control over financial reporting and expressing an opinion thereon based on its audit. The Audit Committee was kept apprised of the progress
of management’s assessment of the Company’s internal control over financial reporting and provided oversight to management during the process. In connection with this oversight, the Audit Committee received periodic updates provided by management and PricewaterhouseCoopers at meetings throughout the year. At the conclusion of the process, management provided the Audit Committee with a report on the effectiveness of the Company’s internal control over financial reporting. The Audit Committee reviewed this report of management and Item 9A, “Control and Procedures,” contained in the Company’s Annual Report on Form 10–K for the fiscal year ended December 31, 2004 filed with the SEC, as well as PricewaterhouseCoopers’ Report of Independent Registered Public Accounting Firm (included in the Company’s Annual Report on Form 10–K) relating to its audit of (i) the consolidated financial statements, (ii) management’s and the independent auditors’ assessment of the effectiveness of internal control over financial reporting and (iii) the effectiveness of internal control over financial reporting. The Audit Committee also reviewed with management and PricewaterhouseCoopers (a) the Company’s completed, current and planned initiatives to remediate material weaknesses in the Company’s internal control over financial reporting as required by Section 404 of the Sarbanes–Oxley Act of 2002 and (b) the additional analyses undertaken and procedures performed by the Company to support certifications by the Company’s Chief Executive Officer and Chief Financial Officer that are required by the SEC and the Sarbanes–Oxley Act to accompany the Company’s periodic filings with the SEC.

In addition, the Audit Committee has discussed the audited financials with PricewaterhouseCoopers, including such items as Statement on Auditing Standards No. 61 and PCAOB Auditing Standard No. 2, “An Audit of Internal Control Over Financial Reporting Conducted in Conjunction with an Audit of Financial Statements.” The Audit Committee has also received from PricewaterhouseCoopers a letter and other written disclosures required under Independence Standards Board Standard No. 1, and has had discussions with PricewaterhouseCoopers regarding the independence of PricewaterhouseCoopers as the Company’s independent registered public accounting firm.

After review of all discussions and all written correspondence described above, as well as such other matters deemed relevant and appropriate by the Audit Committee, the Audit Committee recommended to the Board of Directors that the audited financial statements for the last fiscal year be included in the Company’s Annual Report on Form 10–K.

The Audit Committee

Larry Horner, Chairman
Betsy Atkins
Jeff Clarke
Allen Lenzmeier
Thomas Toy

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PROPOSAL TWO
APPROVAL OF 2005 EQUITY INCENTIVE PLAN

This section summarizes the proposal to adopt the 2005 Equity Incentive Plan (the “Incentive Plan”).

We are asking stockholders to approve the Incentive Plan. Adoption of the Incentive Plan will enable the Company to (i) have greater flexibility in recruiting, motivating and retaining talented employees to help achieve the Company’s business goals, and (ii) receive a federal income tax deduction for certain compensation paid under the Incentive Plan. The Board has approved adoption of the Incentive Plan, subject to stockholder approval at the Annual Meeting. Stockholder approval of the Incentive Plan requires the vote of a majority of Common Stock present in person or by proxy and entitled to vote on the proposal at the Annual Meeting. If stockholders approve adoption of the Incentive Plan, it will replace the 1997 Stock Plan.

The main substantive difference between the Incentive Plan and the 1997 Stock Plan is that in addition to stock options and restricted stock, the Incentive Plan also allows for the following new forms of awards: stock appreciation rights, restricted stock units, performance units and performance shares. In addition, the Incentive Plan contains a specific list of performance goals for the purposes of classifying awards as “performance−based” compensation within the meaning of 162(m) of the Internal Revenue Code. The Incentive Plan also provides for automatic, non−discretionary grants to our Non−Employee Directors, formalizing the Board’s past practice of making annual discretionary grants to Non−Employee Directors under the 1997 Stock Plan.

We strongly believe that the approval of the Incentive Plan is essential to our continued success. The awards provided under the Incentive Plan are vital to our ability to attract and retain highly skilled individuals to work for the Company and serve on our Board.

Our proposed changes reflect the environment in which we operate. The proposed changes will provide us with needed flexibility to adopt our equity compensation practices to reflect changes in business conditions and the markets for labor in which we compete. Our employees and directors are our most important asset. We must continue to offer a competitive compensation package if we hope to continue our success in attracting outstanding talent. In the event stockholders do not approve the proposed changes, we will continue to provide equity compensation under our 1997 Stock Plan. However, our ability to provide the competitive compensation needed to attract, motivate, and retain outstanding talent may be hindered.

In connection with the adoption of the Incentive Plan, we propose the reservation of the number of Common Stock equal to the number of shares of Common Stock currently authorized and available for issuance under the 1997 Stock Plan as of May 13, 2005 plus (i) any shares of Common Stock that return to the 1997 Stock Plan after May 13, 2005 and (ii) an annual increase on the first day of each fiscal year, beginning in 2006, equal to the lesser of (a) 4% of the outstanding shares of Common Stock on the first day of the fiscal year, (b) 3,000,000 share of Common Stock; or (c) such lesser amount of Common Stock as determined by the Board. We generally are not asking stockholders to approve the issuance of any additional shares beyond the shares that we already would be permitted to issue under the 1997 Stock Plan, except that the automatic increase in available shares of Common Stock under the 1997 Plan (which generally is the same formula described in the preceding sentence) would have expired when the 1997 Plan was scheduled to expire in 2007 and now will expire in 2015.

Description of the Incentive Plan

The following paragraphs provide a summary of the principle features of the Incentive Plan and its operation. The Incentive Plan is set forth in its entirety as Annex A to this Proxy Statement. The following summary is qualified in its entirety by reference to the Incentive Plan.
**Purpose.** The Incentive Plan is intended to enhance our ability to attract and retain the best available personnel for positions of substantial responsibility, provide additional incentive to employees, directors and consultants, and promote the success of the Company’s business.

**Eligibility.** The Administrator (as defined below) selects the employees, directors and consultants who will be granted awards under the Incentive Plan. The actual number of individuals who will receive an award cannot be determined in advance because the Administrator has discretion to select the participants.

**Types of Awards.** The Administrator is allowed to grant six types of awards under the Incentive Plan:
- stock options;
- stock appreciation rights;
- restricted stock awards;
- restricted stock units;
- performance share awards; and
- performance unit awards.

The Administrator currently intends to grant stock options and stock appreciation rights as our principal forms of awards. However, we believe that we need to have flexibility to grant other types of equity compensation awards in order to compete successfully for talented employees and in light of potential accounting, legal and other changes.

**Stock options.** A stock option is the right to acquire shares of common stock at a fixed exercise price for a fixed period of time (usually ten years). The Administrator may grant nonstatutory stock options and/or incentive stock options (which entitle employees, but not the Company, to more favorable tax treatment).

The exercise price of each stock option is set by the Administrator but cannot be less than 100% of the fair market value (on the date of grant) of the stock covered by the option. (The 1997 Stock Plan permitted the Administrator to grant nonstatutory stock options with exercise prices less than fair market value.) Thus, an individual will be able to profit from an option only if the fair market value of our Common Stock increases after the option is granted. In other words, the Incentive Plan does not allow for “discounted” stock options. An exception is made only for options that the Company grants to substitute for options held by employees of companies that we acquire (in which case the exercise price preserves the economic value of the employee’s cancelled stock option from his or her former employer).

An option generally cannot be exercised until it becomes vested. Although the Incentive Plan does not prevent the Administrator from granting early exercisable options, the Administrator currently plans to continue the practice of permitting only vested options to be exercisable. The Administrator establishes the vesting schedule at the time the option is granted. Vesting usually requires continued employment by the participant for a period of years, usually four.

The Administrator determines the term of options, except that incentive stock options may have terms of no more than ten years. The Administrator intends to continue the practice that all options shall have a term of no more than ten years. Upon termination of service to the Company, an option usually remains exercisable, to the extent then vested, for three months, although the Administrator has the discretion to permit an option to remain exercisable for a longer period of time. Upon termination of service due to death or disability, an option usually remains exercisable, to the extent then vested, for twelve months. However, in no event may an option be exercised after the expiration of its term.
The exercise price of each option must be paid in full at the time of exercise. Payment may be made in cash, by check, through a “cashless exercise program” or, if the Administrator permits, with a promissory note, reduction in our liabilities to the participant, in shares of our Common Stock that are already owned by the participant or by any other means that provides legal consideration for the shares and is consistent with the Incentive Plan’s purpose.

**Non−Employee Director options.** The Incentive Plan provides for the automatic, non−discretionary grant of nonstatutory stock options to purchase 25,000 shares of Common Stock to our Non−Employee Directors on the first market trading day on or after every August 23, if such Non−Employee Director has served as a director for at least the preceding five months. The exercise price is the fair market value of the covered shares on the date of grant and the option vests as to one−twelfth \(\frac{1}{12}\) of the covered shares each month, subject to the director continuing to serve as a director through each vesting date. Following termination of service, these options remain exercisable for twelve months, subject to the ten−year option term. Our Board previously approved similar grants each year under the 1997 Stock Plan. Assuming stockholders approve the Incentive Plan, our Board will discontinue the practice of making annual, discretionary Non−Employee Director grants every August.

**Stock appreciation rights.** Stock appreciation rights are awards that grant the participant the right to receive an amount of money equal to (i) the number of shares exercised multiplied by (ii) the amount by which our stock price exceeds the exercise price. The exercise price cannot be less than 100% of the stock’s fair market value on the date of grant. Thus, an individual will be able to profit from a stock appreciation right only if the fair market value of the stock increases after the stock appreciation right is granted. The Administrator generally will provide that a stock appreciation right may be exercised only if it becomes vested based on the vesting schedule established by the Administrator. Stock appreciation rights expire under the same rules that apply to options.

**Restricted stock awards.** Restricted stock awards are shares that vest based on a schedule established by the Administrator. However, if stockholders approve this proposal, shares of restricted stock generally may not vest (i) at a rate of more than one−third \(\frac{1}{3}\) of the shares each year if vesting is subject solely to continued service and (ii) within twelve months of the date of grant if vesting is subject to satisfaction of specified performance objectives. Notwithstanding the foregoing, shares of restricted stock may vest sooner in the event of a participant’s death, disability or retirement or a major capital change of the Company. The 1997 Stock Plan permitted the grant of restricted stock (these awards were called “stock purchase rights” in the 1997 Stock Plan), but the 1997 Stock Plan did not impose any limitations on the vesting schedule.

**Performance shares and performance unit awards.** Performance shares and performance units may result in a payment to the participant in cash or shares if the performance goals and/or other vesting criteria established by the Administrator are achieved or the awards otherwise vest. Performance shares and performance units generally vest upon satisfaction of company−wide, business unit, or individual goals (including solely continued service), measured over a period of at least twelve months.

**Restricted Stock Units.** Restricted stock units are awards of restricted stock, performance shares, or performance units that the Administrator permits to be paid out in installments or on a deferred basis.

**Administration, Amendment and Termination.** The Incentive Plan may be administered by multiple committees under the Board (collectively, the “Administrator”). Currently, the Board has authorized the Compensation Committee to assume primary responsibility for the administration of all incentive compensation other than that of Non−Employee Directors, for whom the Disinterested Director Committee was created. To the extent we want certain compensation to qualify for an exemption under Rule 16b−3 of the Exchange Act or for federal tax deductions, members of the Administrator must qualify as non−employee directors under Rule 16b−3 or as outside directors under Section 162(m) of the Internal Revenue Code, as relevant.
Subject to the terms of the Incentive Plan, the Administrator has sole discretion to, in addition to other powers:

- select the employees, directors and consultants who will receive awards;
- determine the number of shares of Common Stock covered by each award;
- determine the terms and conditions of awards (for example, the exercise price and vesting schedule);
- to modify or amend awards, including the discretionary authority to extend post-termination award exercisability or accelerate vesting; and
- interpret the provisions of the Incentive Plan.

If stockholders approve this proposal, the Administrator may not reduce the exercise or purchase price of an outstanding award (whether by (i) repricing the award or (ii) cancelling the award and granting a new award with a lower exercise or purchase price) without first obtaining stockholder approval. The 1997 Stock Plan permitted the administrator to institute an option exchange program without first obtaining stockholder approval.

The Board may amend or terminate the Incentive Plan at any time and for any reason. The Incentive Plan expires pursuant to its terms on May 13, 2015. Future amendments will be submitted for stockholder approval if necessary or appropriate to continue the Incentive Plan’s compliance with applicable law, including, without limitation, Section 162(m) of the Internal Revenue Code, or with Nasdaq rules.

If an award expires or is cancelled without having been fully exercised or vested, the unvested or cancelled shares generally will be returned to the available pool of shares. In addition a number of shares equal to the number of shares tendered or withheld to pay award exercise or purchase prices or to cover applicable tax withholding will be returned to the available pool of shares. Also, if a stock dividend, reorganization, spin-off or other change in the Company’s capital structure occurs, the Administrator has discretion to adjust the number of shares available under the Incentive Plan, the per person limits on grants and the number of shares automatically granted to Non-Employee Directors, as appropriate to reflect the stock dividend or other change.

**Limited Transferability of Awards.** Unless otherwise determined by the Administrator, awards granted under the Incentive Plan may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or under applicable laws of descent and distribution. The Administrator may also, in its sole discretion, impose other transfer restrictions it deems advisable or appropriate.

**Options Granted to Certain Individuals and Groups.** If the Incentive Plan were in place last year, its terms would not have resulted in a different number of option or awards being granted. The following table sets forth the total number of shares of the Company’s Common Stock subject to options granted under the 1997 Stock Plan to the listed persons and groups for the 2004 fiscal year.
### New Plan Benefits

<table>
<thead>
<tr>
<th>Name and Position</th>
<th>Number of Options Granted</th>
<th>Average Per Share Exercise Price of Options</th>
<th>Number of Shares of Restricted Stock Granted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hong Liang Lu. President, Chief Executive Officer and Chairman of the Board</td>
<td>250,000</td>
<td>$ 37.46</td>
<td>—</td>
</tr>
<tr>
<td>Ying Wu Executive Vice President and Vice Chairman</td>
<td>200,000</td>
<td>$ 37.46</td>
<td>—</td>
</tr>
<tr>
<td>Shao−Ning J. Chou Senior Vice President</td>
<td>150,000</td>
<td>$ 37.46</td>
<td>—</td>
</tr>
<tr>
<td>Michael Sophie Chief Financial Officer and Senior Vice President</td>
<td>150,000</td>
<td>$ 37.46</td>
<td>—</td>
</tr>
<tr>
<td>William Huang Chief Technology Officer and Senior Vice President</td>
<td>100,000</td>
<td>$ 37.46</td>
<td>—</td>
</tr>
<tr>
<td>All current executive officers, as a group</td>
<td>850,000</td>
<td>$ 37.46</td>
<td>—</td>
</tr>
<tr>
<td>All directors who are not executive officers, as a group</td>
<td>75,000</td>
<td>$ 16.34</td>
<td>—</td>
</tr>
<tr>
<td>All employees who are not executive officers, as a group</td>
<td>4,950,197</td>
<td>$ 25.94</td>
<td>—</td>
</tr>
</tbody>
</table>

Directors and named executive officers have a financial interest in this proposal because they are eligible to receive awards under the Incentive Plan. Non−Employee Directors also have an interest in this proposal because they are provided annual, non−discretionary option grants.

### Federal Tax Aspects

The following is a summary of the general federal income tax consequences to U.S. taxpayers and the Company of awards granted under the Incentive Plan. Tax consequences for any particular individual may be different.

**Nonstatutory Stock Options and Stock Appreciation Rights.** No taxable income is reportable when a nonstatutory stock option or a stock appreciation right is granted with an exercise price equal to or greater than fair market value. Upon exercise, the recipient will recognize ordinary income equal to the fair market value of the shares on the exercise date minus the exercise price. Any additional gain or loss upon the disposition of the stock will be capital gain or loss.

**Incentive Stock Options.** No taxable income is reportable when an incentive stock option is granted or exercised (except for purposes of the alternative minimum tax, in which case taxation is the same as for nonstatutory stock options). If the recipient exercises the option and then sells the shares more than two years after the grant date and more than one year after the exercise date, the difference between the sale price and the exercise price will be taxed as capital gain or loss. If the recipient exercises the option and sells the shares before the end of the two or one−year holding periods, he or she generally will recognize ordinary income at the time of the sale equal to the fair market value of the shares on the exercise date (or
the sale price, if less) minus the exercise price of the option, and any additional gain or loss will be capital gain or loss.

**Restricted Stock, Performance Units and Performance Shares.** A recipient of restricted stock, performance units or performance shares will not recognize taxable income upon grant. Instead, he or she will recognize ordinary income at the time of vesting equal to the fair market value on the vesting date of the shares (or cash) received minus any amount paid for the shares. For restricted stock only, a recipient may instead elect to be taxed at the time of grant. Any additional gain or loss upon the disposition of the stock, if any, will be capital gain or loss.

**Restricted Stock Units.** A recipient of restricted stock units generally will not recognize taxable income on grant. Instead, so long as the settlement of the award complies with deferred compensation tax rules, the recipient will recognize ordinary income on the receipt of shares (or cash) equal to the fair market value of the shares (or cash) minus amounts paid. If the terms of settlement do not comply with deferred compensation tax rules, the recipient will recognize ordinary income on vesting, equal to the fair market value of the shares (or cash) minus amounts to be paid, and will be subject to an additional 20% exercise tax. Any additional gain or loss upon the disposition of the stock, if any, will be capital gain or loss.

**Tax Effect for the Company.** The Company generally will receive a tax deduction for any ordinary income recognized by a participant from an award under the Incentive Plan (for example, the exercise of a nonstatutory stock option). Special rules limit the deductibility of compensation paid to our Chief Executive Officer and four other most highly compensated executive officers. Under Section 162(m) of the Internal Revenue Code, the annual compensation paid to each of these executives may not be deductible to the extent that it exceeds $1 million. However, we are able to preserve the deductibility of compensation over $1 million if the conditions of Section 162(m) are met. These conditions include stockholder approval of the Incentive Plan, setting limits on the number of awards that any individual may receive, and for awards other than options and stock appreciation rights, establishing stockholder approved performance criteria that must be met before the award actually will vest or be paid. The Incentive Plan has been designed to permit the Committee to grant awards that qualify as performance-based for purposes of satisfying the conditions of Section 162(m). For example, the Incentive Plan limits the number of shares that may be granted to any one participant in any one year as follows (the limits with respect to the first calendar year in which an individual joins the Company are twice the following amounts):

- 700,000 shares under options;
- 700,000 shares under stock appreciation rights;
- 700,000 restricted shares;
- 700,000 performance shares; and
- performance units with an initial value not greater than $2 million.

In addition, in setting the vesting schedule of an award, the Administrator may provide that the award will vest only upon the achievement of objectives for one or more of:

- annual revenue;
- operating profit;
- customer satisfaction MBOs;
- earnings per share;
- net income;
- new orders;

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• pro forma net income;
• return on designated assets;
• return on sales;
• return on equity;
• cash collections; or
• product shipments.

Each of these performance measures is defined in the Incentive Plan.

Summary

We are requesting that stockholders approve adoption of the Incentive Plan. The Incentive Plan would replace the 1997 Stock Plan, and would be materially different from the latter in that (i) in addition to stock options and restricted stock, the Incentive Plan allows for new forms of awards such as stock appreciation rights, performance units and performance shares and (ii) the Incentive Plan provides for a specific list of performance goals for the purposes of 162(m) of the Internal Revenue Code. The Incentive Plan also provides for automatic, non-discretionary grants to our Non-Employee Directors.

We believe strongly that the approval of the Incentive Plan is essential to our continued success. Awards such as those provided under the Incentive Plan constitute an important incentive and help us to attract and retain people whose skills and performance are critical to our success. Our employees and directors are our most important asset. We strongly believe that the Incentive Plan is vital to our ability to attract and retain outstanding and highly skilled individuals to work for the Company and serve on our Board.

THE BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE “FOR” THE APPROVAL OF THE ADOPTION OF THE 2005 EQUITY INCENTIVE PLAN.
PROPOSAL THREE
RATIFICATION OF APPOINTMENT OF INDEPENDENT
REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board has selected PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm, to audit the financial statements of the Company for the fiscal year ending December 31, 2005 and recommends that the stockholders ratify this selection. PricewaterhouseCoopers LLP also audited the Company’s financial statements for its fiscal year ended December 31, 2004. The Board expects that representatives of PricewaterhouseCoopers LLP will be present at the Annual Meeting, will be given an opportunity to make a statement at the meeting and will be available to respond to appropriate questions.

Stockholder ratification of this selection of PricewaterhouseCoopers LLP as the Company’s Independent Public Accounting Firm is not required by the Bylaws or otherwise. However, the Board has elected to seek such ratification as a matter of good corporate practice. Should the stockholders fail to ratify the selection of PricewaterhouseCoopers LLP as Independent Registered Public Firm, the Audit Committee and the Board will consider whether to retain that firm for the year ended December 31, 2005. Even if the selection is ratified, the Audit Committee, at its discretion, may direct the appointment of a different independent registered public accounting firm at anytime during the year if it determines that such a change would be in the best interests of the Company and its stockholders.

PricewaterhouseCoopers LLP Fees For The Fiscal Year Ended December 31, 2004

Audit Fees
Fees for the fiscal year ended December 31, 2004 audit and interim reviews were $8,423,663.00. Fees for the fiscal year ended December 31, 2003 audit and interim reviews were $1,667,281.00.

Audit−Related Fees
Audit−related fees were $771,475.00 and $1,111,170.00 for fiscal years ended December 31, 2004 and December 31, 2003, respectively. Such services included due diligence and other procedures performed surrounding certain of the Company’s acquisitions and accounting consultation.

Tax Fees
During the fiscal year ended December 31, 2004, fees related to tax advice, compliance and planning were $3,134,642.00. For the fiscal year ended December 31, 2003 fees for tax advice, compliance and planning totaled $1,736,928.00.

All Other Fees
Other fees during the year ended December 31, 2004 totaled $5,000.00 and consisted entirely of fees related to training. For the fiscal year ended December 31, 2003 other fees totaled $4,200.00 and consisted entirely of fees related to research tools.

The Audit Committee has determined that the provision by PricewaterhouseCoopers LLP of non−audit services to us in 2004 is compatible with PricewaterhouseCoopers LLP maintaining its independence.

Audit Committee Pre−Approval Policies and Procedures
The Audit Committee has direct responsibility for the appointment, retention, evaluation, compensation, oversight and termination of the independent registered public accounting firm employed by the Company. In October 2003, the Audit Committee of the Board established a Non−Audit Services
Subcommittee. The Non–Audit Services Subcommittee, consisting of Mr. Horner, is authorized to preapprove non–audit services to be performed by the Company’s independent public accountants in amounts not to exceed $50,000 per engagement. Non–audit services to be performed by the Company’s independent registered public accounting firm in amounts to exceed $50,000 per engagement will be approved by the Audit Committee. During fiscal 2004, there were no audit–related fees, tax fees, or any other non–audit fees that were approved by the Audit Committee pursuant to the “de minimis” exception under Regulation S–X Rule 2–01(c)(7)(i)(C).

Required Vote

The affirmative vote of the holders of a majority of the Votes Cast will be required to ratify the selection of PricewaterhouseCoopers LLP as the Company’s Independent Registered Public Accounting Firm for the fiscal year ending December 31, 2005.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE “FOR” RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS THE COMPANY’S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.
Set forth below is a line graph comparing the annual percentage change in the cumulative return to the stockholders of the Company’s Common Stock with the cumulative return of the Nasdaq composite (U.S. and foreign) index and the S&P Wireless Telecommunication Services index for the period commencing on March 3, 2000, the first day the Company’s Common Stock was traded on The Nasdaq National Market, and ending on December 31, 2004. The information contained in the performance graph shall not be deemed to be “soliciting material” or to be “filed” with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act or the Exchange Act, except to the extent that the Company specifically incorporates it by reference into such filing.

The graph assumes that $100.00 was invested on March 3, 2000 in the Company’s Common Stock and in each index (based on the initial public offering price of $18 per share), and that all dividends were reinvested. No cash dividends have been declared or paid on the Company’s Common Stock. Stockholder returns over the indicated period should not be considered indicative of future stockholder returns. The Company operates on a 52−week fiscal year that ended on Friday, December 31, 2004. Under the assumptions stated above, over the period from March 3, 2000 to December 31, 2004 the total return on an investment in the Company would have been 23.06% as compared to −30.94% for the Nasdaq composite (U.S. and foreign) index and −66.7% for the S&P Wireless Telecommunication Services index shown below.

$100 invested on 3/3/00 in stock or on 2/29/00 in index—including reinvestment of dividends. Fiscal year ending December 31.

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During 2004, the Company was party to indemnification agreements with certain of its Directors and executive officers.

One of the Company’s previous Directors, Masayoshi Son, who resigned from the Board effective September 15, 2004, is the President and Chief Executive Officer and a director of SOFTBANK CORP. SOFTBANK CORP. is an affiliate of SOFTBANK America, Inc., also one of our significant stockholders. Since the beginning of the 2004 financial year, the Company has engaged, continues to engage or proposes to engage in the following transactions with entities affiliated with SOFTBANK CORP.:

- On July 17, 2003, the Company entered into a Mezzanine Loan Agreement with BB Modem Rental PLC (“BB Modem”), an affiliate of SOFTBANK CORP. Under the terms of the agreement, the Company loaned BB Modem $10.1 million at an effective interest rate of 12.01% per annum, for the purpose of investing in a portfolio of ADSL modems and associated modem rental agreements, from Softbank BB Corporation (“Softbank BB”), formerly BB Technologies, an affiliate of SOFTBANK America, Inc.

- The Company has invested approximately $10.0 million in Softbank China, an investment fund established by SOFTBANK CORP. focused on investments in Internet companies in China. The investment balance as of December 31, 2004 was $5.3 million. The Company has also invested $2.0 million in Restructuring Fund No. 1, a venture capital investment limited partnership established by SOFTBANK INVESTMENT CORP., an affiliate of SOFTBANK CORP. The investment balance as of December 31, 2004 was $1.8 million.

- In December 2002, a venture capital fund affiliated with SOFTBANK CORP. made a capital investment in MDC Holding Limited (“MDC Holding”). In December 2004, the Company exercised a warrant for ordinary shares of MDC Holding for which it paid approximately $0.8 million. In 2004, the Company received payments from Beijing MDC Telecommunications Co., Ltd. (“Beijing MDC”), an affiliate of MDC Holding, of approximately $0.8 million for purchases of equipment and the provision of consulting services, and in 2004 the Company paid to Beijing MDC approximately $0.5 million for PAS value added services and as rental payments. During the period from January 2005 to March 2005, the Company entered into an agreement to sell equipment to Beijing MDC with a value of approximately $2.3 million. For additional information regarding the Company’s transaction with Beijing MDC, please read “Note 2—Summary of Significant Accounting Policies—Restatement of Consolidated Financial Statements” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2004.

- We recognized revenue of $143.7 million during 2004 with respect to sales of telecommunications equipment to Softbank BB.

- During August 2004, the Company entered into several agreements with Japan Telecom Co., Ltd. (“JT”), a wholly owned subsidiary of SOFTBANK CORP., related to the sale of telecommunication equipment and promotional services. The terms of these agreements specify that JT was to remit 50 percent of the contract value in cash to the Company within one month of the execution of the contract, which was August 20, 2004. As of December 31, 2004, there was $217.5 million included in customer advance related to these agreements. The Company also entered into an agreement during the third quarter of 2004 with JT to supply chassis equipment with an approximate value of $75 million.

Yulan Wu, the spouse of Ying Wu, Executive Vice President and Vice Chairman of the Board, is the beneficial owner of approximately 31% of Starcom Products, Inc. (“Starcom Products”). In 2004 and during the period from January 2005 to March 2005, we paid Starcom Products approximately $1.1 million and $0.3 million, respectively, for engineering consulting and employee placement services.
The Company knows of no other matters to be submitted to the Annual Meeting. If any other matters properly come before the Annual Meeting, it is the intention of the persons named in the enclosed proxy to vote the shares they represent as the Board may recommend.

BY ORDER OF THE BOARD OF DIRECTORS
/s/ MICHAEL J. SOPHIE

Michael J. Sophie
Senior Vice President of Finance and
Chief Financial Officer

Dated: April 18, 2005
1. **Purposes of the Plan.** The purposes of this Plan are:

- to attract and retain the best available personnel for positions of substantial responsibility,
- to provide additional incentive to Employees, Directors and Consultants, and
- to promote the success of the Company’s business.

The Plan permits the grant of Incentive Stock Options, Nonstatutory Stock Options, Restricted Stock, Stock Appreciation Rights, Restricted Stock Units, Performance Units, and Performance Shares.

2. **Definitions.** As used herein, the following definitions will apply:

   (a) “**Administrator**” means the Board or any of its Committees as will be administering the Plan, in accordance with Section 4 of the Plan.

   (b) “**Annual Revenue**” means the Company’s or a business unit’s net sales for the Fiscal Year, determined in accordance with generally accepted accounting principles; provided, however, that prior to the Fiscal Year, the Administrator shall determine whether any significant item(s) shall be excluded or included form the calculation of Annual Revenue with respect to one or more Participants.

   (c) “**Applicable Laws**” means the requirements relating to the administration of equity−based awards or equity compensation plans under U.S. state corporate laws, U.S. federal and state securities laws, the Code, any stock exchange or quotation system on which the Common Stock is listed or quoted and the applicable laws of any foreign country or jurisdiction where Awards are, or will be, granted under the Plan.

   (d) “Award” means, individually or collectively, a grant under or the Plan of Options, SARs, Restricted Stock, Restricted Stock Units, Performance Units, or Performance Shares.

   (e) “**Award Agreement**” means the written or electronic agreement setting forth the terms and provisions applicable to each Award granted under the Plan. The Award Agreement is subject to the terms and conditions of the Plan.

   (f) “**Awarded Stock**” means the Common Stock subject to an Award.

   (g) “**Board**” means the Board of Directors of the Company.

   (h) “**Cash Collections**” means the actual cash or other freely negotiable consideration, in any currency, received in satisfaction of accounts receivable created by the sale of any Company products or services.

   (i) “**Change in Control**” means the occurrence of any of the following events:

      (i) Any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the “beneficial owner” (as defined in Rule 13d−3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company’s then outstanding voting securities;

      (ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company’s assets;
(iii) A change in the composition of the Board occurring within a two−year period, as a result of which fewer than a majority of the directors are Incumbent Directors. “Incumbent Directors” means directors who either (A) are Directors as of the effective date of the Plan, or (B) are elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the Incumbent Directors at the time of such election or nomination (but will not include an individual whose election or nomination is in connection with an actual or threatened proxy contest relating to the election of directors to the Company); or

(iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

(j) “Code” means the Internal Revenue Code of 1986, as amended. Any reference to a section of the Code herein will be a reference to any successor or amended section of the Code.

(k) “Committee” means a committee of Directors or other individuals satisfying Applicable Laws appointed by the Board in accordance with Section 4 of the Plan.

(l) “Common Stock” means the Common Stock of the Company, or in the case of Performance Units and Restricted Stock Units, the cash equivalent thereof, as applicable.

(m) “Company” means UTStarcom, Inc., a Delaware corporation, or any successor thereto.

(n) “Consultant” means any person, including an advisor, engaged by the Company or a Parent or Subsidiary to render services to such entity.

(o) “Customer Satisfaction MBOs” means as to any Participant, the objective and measurable individual goals set by a “management by objectives” process and approved by the Administrator, which goals relate to the satisfaction of external or internal customer requirements.

(p) “Director” means a member of the Board.

(q) “Disability” means total and permanent disability as defined in Section 22(e)(3) of the Code, provided that in the case of Awards other than Incentive Stock Options, the Administrator in its discretion may determine whether a permanent and total disability exists in accordance with uniform and non−discriminatory standards adopted by the Administrator from time to time.

(r) “Dividend Equivalent” means a credit, made at the discretion of the Administrator, to the account of a Participant in an amount equal to the value of dividends paid on one Share for each Share represented by an Award held by such Participant.

(s) “Earnings Per Share” means as to any Fiscal Year, the Company’s Net Income or a business unit’s Pro Forma Net Income, divided by a weighted average number of common shares outstanding and dilutive common equivalent shares deemed outstanding.

(t) “Employee” means any person, including Officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. Neither service as a Director nor payment of a director’s fee by the Company will be sufficient to constitute “employment” by the Company. A Service Provider shall not cease to be an Employee in the case of (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company or between the Company, its Parent, any Subsidiary, or any successor.

(v) “Fair Market Value” means, as of any date, the value of Common Stock determined as follows:

   (i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation The Nasdaq National Market or The Nasdaq SmallCap Market of The Nasdaq Stock Market, its Fair Market Value will be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system for the last trading day prior to the day of determination, as reported in The Wall Street Journal or such other source as the Administrator deems reliable;

   (ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a Share of Common Stock will be the mean between the high bid and low asked prices for the Common Stock for the last trading day prior to the day of determination, as reported in The Wall Street Journal or such other source as the Administrator deems reliable; or

   (iii) In the absence of an established market for the Common Stock, the Fair Market Value will be determined in good faith by the Administrator.

(w) “Fiscal Year” means the fiscal year of the Company.

(x) “Incentive Stock Option” means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(y) “Net Income” means as to any Fiscal Year, the income after taxes of the Company determined in accordance with generally accepted accounting principles, provided that prior to the Fiscal Year, the Administrator shall determine whether any significant item(s) shall be included or excluded from the calculation of Net Income with respect to one or more Participants.

(z) “New Orders” means as to any Fiscal Year, the firm orders for a system, product, part, or service that are being recorded for the first time as defined in the Company’s order recognition policy.

(aa) “Nonstatutory Stock Option” means an Option that by its terms does not qualify or is not intended to qualify as an Incentive Stock Option.

(bb) “Non−Owner Outside Director” means an Outside Director who is not the beneficial owner of more than 5% of the Company’s outstanding capital stock.

(cc) “Officer” means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(dd) “Operating Profit” means as to any Fiscal Year, the difference between revenue and related costs and expenses, excluding income derived from sources other than regular activities and before income deductions.

(ee) “Option” means a stock option granted pursuant to the Plan.

(ff) “Outside Director” means a Director who is not an Employee.

(gg) “Parent” means a “parent corporation,” whether now or hereafter existing, as defined in Section 424(e) of the Code.

(hh) “Participant” means the holder of an outstanding Award granted under the Plan.

(ii) “Performance Goals” means the goal(s) (or combined goal(s)) determined by the Administrator, in its discretion, to be applicable to a Participant with respect to an Award. As
determined by the Administrator, the Performance Goals applicable to an Award may provide for a targeted level or levels of achievement using one or more of the following measures: (a) Annual Revenue, (b) Operating Profit, (c) Customer Satisfaction MBOs, (d) Earnings Per Share, (e) Net Income, (f) New Orders, (g) Pro Forma Net Income, (h) Return on Designated Assets, (i) Return on Sales, (j) Return on Equity, (k) Cash Collections, and (l) Product Shipments. The Performance Goals may differ from Participant to Participant and from Award to Award. Any criteria used may be (i) measured in absolute terms, (ii) compared to another company or companies, (iii) measured against the performance of the Company as a whole or a segment of the Company and/or (iv) measured on a pre−tax or post−tax basis (if applicable).

(jj) “Performance Share” means an Award granted to a Service Provider pursuant to Section 10 of the Plan.

(kk) “Performance Unit” means an Award granted to a Service Provider pursuant to Section 10 of the Plan.

(ll) “Period of Restriction” means the period during which the transfer of Shares of Restricted Stock are subject to restrictions and therefore, the Shares are subject to a substantial risk of forfeiture. Such restrictions may be based on the passage of time, the achievement of target levels of performance, or the occurrence of other events as determined by the Administrator. Notwithstanding any contrary provision of the Plan, a Period of Restriction shall expire (a) at a rate no faster than as to one−third ($1/3$) of the Shares covered by an Award each year if the Shares vest solely as a result of continued service and (b) no sooner than 12 months following the date of grant if the Shares vest upon satisfaction of performance objectives, unless determined otherwise by the Administrator at its discretion solely by reason of death, Disability, retirement, or major capital change, or unless vesting is accelerated automatically under Section 15.

(mm) “Plan” means this 2005 Equity Incentive Plan.

(nn) “Product Shipments” means as to any Fiscal Year, the quantitative and measurable number of units of a particular product that shipped during such Fiscal Year.

(oo) “Pro Forma Net Income” means as to any business unit for any Fiscal Year, the Controllable Profits of such business unit, minus allocations of designated corporate expenses.

(pp) “Restricted Stock” means Shares issued pursuant to a Restricted Stock award under Section 8 or issued pursuant to the early exercise of an option.

(qq) “Restricted Stock Unit” means an Award that the Administrator permits to be paid in installments or on a deferred basis pursuant to Sections 4 and 11 of the Plan.

(rr) “Return on Designated Assets” means as to any Fiscal Year, the Pro Forma Net Income of a business unit, divided by the average of beginning and ending business unit designated assets, or Net Income of the Company, divided by the average of beginning and ending designated corporate assets.

(ss) “Return on Equity” means, as to any Fiscal Year, the percentage equal to the value of the Company’s or any business unit’s common stock investments at the end of such Fiscal Year, divided by the value of such common stock investments at the start of such Fiscal Year, excluding any common stock investments so designated by the Administrator.

(tt) “Return on Sales” means as to any Fiscal Year, the percentage equal to the Company’s Net Income or the business unit’s Pro Forma Net Income, divided by the Company’s or the business unit’s Annual Revenue.

(uu) “Rule 16b−3” means Rule 16b−3 of the Exchange Act or any successor to Rule 16b−3, as in effect when discretion is being exercised with respect to the Plan.

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(vv) “Section 16(b)” means Section 16(b) of the Exchange Act.

(ww) “Service Provider” means an Employee, Director or Consultant.

(xx) “Share” means a share of the Common Stock, as adjusted in accordance with Section 15 of the Plan.

(yy) “Stock Appreciation Right” or “SAR” means an Award that pursuant to Section 9 of the Plan is designated as a SAR.

(zz) “Subsidiary” means a “subsidiary corporation”, whether now or hereafter existing, as defined in Section 424(f) of the Code.

3. **Stock Subject to the Plan.**

   (a) **Stock Subject to the Plan.** Subject to the provisions of Section 15 of the Plan, the maximum aggregate number of Shares that may be issued under the Plan is the number of Shares authorized and available for issuance under the 1997 Stock Plan as of May 13, 2005 plus (i) any Shares that return to the 1997 Stock Plan after May 13, 2005 and (ii) an annual increase on the first day of each Fiscal Year, beginning in 2006, equal to the lesser of (A) 4% of the outstanding Shares on the first day of the Fiscal Year; (B) 3,000,000 Shares; or (C) such lesser amount of Shares as determined by the Board. The Shares may be authorized, but unissued, or reacquired Common Stock. Shares shall not be deemed to have been issued pursuant to the Plan with respect to any portion of an Award that is settled in cash. Upon payment in Shares pursuant to the exercise of an Award, the number of Shares available for issuance under the Plan shall be reduced only by the number of Shares actually issued in such payment. If a Participant pays the exercise price (or purchase price, if applicable) of an Award through the tender of Shares, or if Shares are tendered or withheld to satisfy any Company withholding obligations, the number of Shares so tendered or withheld shall again be available for issuance pursuant to future Awards under the Plan.

   (b) **Lapsed Awards.** If any outstanding Award expires or is terminated or canceled without having been exercised or settled in full, or if Shares acquired pursuant to an Award subject to forfeiture or repurchase are forfeited or repurchased by the Company, the Shares allocable to the terminated portion of such Award or such forfeited or repurchased Shares shall again be available for grant under the Plan.

   (c) **Share Reserve.** The Company, during the term of the Plan, shall at all times reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of the Plan.

4. **Administration of the Plan.**

   (a) **Procedure.**

      (i) **Multiple Administrative Bodies.** Different Committees with respect to different groups of Service Providers may administer the Plan.

      (ii) **Section 162(m).** To the extent that the Administrator determines it to be desirable and necessary to qualify Awards granted hereunder as “performance−based compensation” within the meaning of Section 162(m) of the Code, the Plan will be administered by a Committee of two or more “outside directors” within the meaning of Section 162(m) of the Code.

      (iii) **Rule 16b−3.** To the extent desirable to qualify transactions hereunder as exempt under Rule 16b−3, the transactions contemplated hereunder will be structured to satisfy the requirements for exemption under Rule 16b−3.
(iv) **Other Administration.** Other than as provided above, the Plan will be administered by (A) the Board or (B) a Committee, which committee will be constituted to satisfy Applicable Laws.

(v) **Delegation of Authority for Day−to−Day Administration.** Except to the extent prohibited by Applicable Law, the Administrator may delegate to one or more individuals the day−to−day administration of the Plan and any of the functions assigned to it in this Plan. Such delegation may be revoked at any time.

(b) **Powers of the Administrator.** Subject to the provisions of the Plan, and in the case of a Committee, subject to the specific duties delegated by the Board to such Committee, the Administrator will have the authority, in its discretion:

   (i) to determine the Fair Market Value;
   (ii) to select the Service Providers to whom Awards may be granted hereunder;
   (iii) to determine the number of Shares to be covered by each Award granted hereunder;
   (iv) to approve forms of agreement for use under the Plan;
   (v) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Awards may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture or repurchase restrictions, and any restriction or limitation regarding any Award or the Shares relating thereto, based in each case on such factors as the Administrator, in its sole discretion, will determine;
   (vi) to construe and interpret the terms of the Plan and Awards granted pursuant to the Plan;
   (vii) to prescribe, amend and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub−plans established for the purpose of satisfying applicable foreign laws and/or qualifying for preferred tax treatment under applicable foreign tax laws;
   (viii) to modify or amend each Award (subject to Section 18 of the Plan), including the discretionary authority to extend the post−termination exercisability period of Awards longer than is otherwise provided for in the Plan;
   (ix) to allow Participants to satisfy withholding tax obligations by electing to have the Company withhold from the Shares or cash to be issued upon exercise or vesting of an Award that number of Shares or cash having a Fair Market Value equal to the minimum amount required to be withheld. The Fair Market Value of any Shares to be withheld will be determined on the date that the amount of tax to be withheld is to be determined. All elections by a Participant to have Shares or cash withheld for this purpose will be made in such form and under such conditions as the Administrator may deem necessary or advisable;
   (x) to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Award previously granted by the Administrator;
   (xi) to allow a Participant to defer the receipt of the payment of cash or the delivery of Shares that would otherwise be due to such Participant under an Award;
   (xii) to determine whether Awards will be settled in Shares, cash or in any combination thereof;
   (xiii) to determine whether Awards will be adjusted for Dividend Equivalents;

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(xiv) to establish a program whereby Service Providers designated by the Administrator can reduce compensation otherwise payable in cash in exchange for Awards under the Plan;

(xv) to impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any resales by a Participant or other subsequent transfers by the Participant of any Shares issued as a result of or under an Award, including without limitation, (A) restrictions under an insider trading policy, and (B) restrictions as to the use of a specified brokerage firm for such resales or other transfers; and

(xvi) to make all other determinations deemed necessary or advisable for administering the Plan.

(c) Effect of Administrator’s Decision. The Administrator’s decisions, determinations and interpretations will be final and binding on all Participants and any other holders of Awards.

(d) Shareholder Approval. Notwithstanding any contrary provision of the Plan, the Administrator may not reduce the exercise/purchase price of an outstanding Award (whether by (i) repricing or (ii) canceling and then regranting the Award with a lower exercise/purchase price) without first obtaining shareholder approval.

5. Eligibility. Nonstatutory Stock Options, Restricted Stock, Stock Appreciation Rights, Performance Units, Performance Shares, and Restricted Stock Units may be granted to Service Providers. Incentive Stock Options may be granted only to Employees.


(a) ISO $100,000 Rule. Each Option will be designated in the Award Agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designation, to the extent that the aggregate Fair Market Value of the Shares with respect to which Incentive Stock Options are exercisable for the first time by the Participant during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds $100,000, such Options will be treated as Nonstatutory Stock Options. For purposes of this Section 6(a), Incentive Stock Options will be taken into account in the order in which they were granted. The Fair Market Value of the Shares will be determined as of the time the Option with respect to such Shares is granted.

(b) Section 162(m) Limitations. Subject to Section 15 of the Plan, the following special limits shall apply to Shares available for Awards under the Plan:

(i) no Service Provider shall be granted Options in any one calendar year covering more than 700,000 Shares;

(ii) no Service Provider shall be granted Stock Appreciation Rights in any one calendar year covering more than 700,000 Shares;

(iii) no Service Provider shall be granted more than 700,000 Shares of Restricted Stock in any one calendar year;

(iv) no Service Provider shall be granted more than 700,000 Performance Shares in any one calendar year; and

(v) no Service Provider shall be granted Performance Units in any one calendar year with an initial value in excess of $2,000,000.

(vi) If an Award is canceled in the same Fiscal Year of the Company in which it was granted, the canceled Award will be counted against the limits set forth above. For this purpose, if the exercise/purchase price of an Award is reduced, the transaction will be treated as a cancellation of the Award and the grant of a new Award.

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(vii) Notwithstanding Sections 6(b)(i) through 6(b)(vi) to the contrary, the limits applicable during the calendar year in which an individual first becomes a Service Provider shall be twice the amounts specified in Sections 6(b)(i) through 6(b)(v).

(c) **No Rights as a Service Provider.** Neither the Plan nor any Award shall confer upon a Participant any right with respect to continuing his or her relationship as a Service Provider, nor shall they interfere in any way with the right of the Participant or the right of the Company or its Parent or Subsidiaries to terminate such relationship at any time, with or without cause.

7. **Stock Options.**

   (a) **Term of Option.** The term of each Option will be stated in the Award Agreement. In the case of an Incentive Stock Option, the term will be ten (10) years from the date of grant or such shorter term as may be provided in the Award Agreement. Moreover, in the case of an Incentive Stock Option granted to a Participant who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Incentive Stock Option will be five (5) years from the date of grant or such shorter term as may be provided in the Award Agreement.

   (b) **Option Exercise Price.**  
   (i) The per Share exercise price for the Shares to be issued pursuant to exercise of an Option will be determined by the Administrator; provided, however, that the per Share exercise price will be no less than 100% of the Fair Market Value per Share on the date of grant. Notwithstanding the foregoing, in the case of an Incentive Stock Option granted to an Employee who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price will be no less than 110% of the Fair Market Value per Share on the date of grant.

   (ii) **Substitute Options.** Notwithstanding the provisions of Section 7(b)(i), in the event that the Company or a Company Parent or Subsidiary consummates a transaction described in Section 424(a) of the Code (e.g., the acquisition of property or stock from an unrelated corporation), persons who become Service Providers on account of such transaction may be granted Options in substitution for options granted by their former employer. If such substitute Options are granted, the Administrator, in its sole discretion and consistent with Section 424(a) of the Code, may determine that such substitute Options shall have an exercise price less than one hundred percent (100%) of the Fair Market Value of the Shares of the grant date.

   (c) **Waiting Period and Exercise Dates.** At the time an Option is granted, the Administrator will fix the period within which the Option may be exercised and will determine any conditions that must be satisfied before the Option may be exercised. The Administrator, in its sole discretion, may accelerate the satisfaction of such conditions at any time.

   (d) **Form of Consideration.** The Administrator will determine the acceptable form of consideration for exercising an Option, including the method of payment. In the case of an Incentive Stock Option, the Administrator shall determine the acceptable form of consideration at the time of grant. Such consideration to the extent permitted by Applicable Laws may consist entirely of:

   (i) cash;
   (ii) check;
   (iii) promissory note;
   (iv) other Shares which meet the conditions established by the Administrator;
(v) consideration received by the Company under a cashless exercise program implemented by the Company in connection with the Plan;

(vi) a reduction in the amount of any Company liability to the Participant, including any liability attributable to the Participant’s participation in any Company-sponsored deferred compensation program or arrangement;

(vii) any combination of the foregoing methods of payment; or

(viii) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws.

(e) **Exercise of Option.**

(i) **Procedure for Exercise; Rights as a Stockholder.** Any Option granted hereunder will be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and set forth in the Award Agreement. An Option may not be exercised for a fraction of a Share.

An Option will be deemed exercised when the Company receives: (x) written or electronic notice of exercise (in accordance with the Award Agreement) from the person entitled to exercise the Option, and (y) full payment for the Shares with respect to which the Option is exercised (including provision for any applicable tax withholding). Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Award Agreement and the Plan. Shares issued upon exercise of an Option will be issued in the name of the Participant or, if requested by the Participant, in the name of the Participant and his or her spouse. Until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder will exist with respect to the Awarded Stock, notwithstanding the exercise of the Option. The Company will issue (or cause to be issued) such Shares promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 15 of the Plan or the applicable Award Agreement.

Exercising an Option in any manner will decrease the number of Shares thereafter available for sale under the Option, by the number of Shares as to which the Option is exercised.

(ii) **Termination of Relationship as a Service Provider.** If a Participant ceases to be a Service Provider, other than upon the Participant’s death or Disability, the Participant may exercise his or her Option within such period of time as is specified in the Award Agreement to the extent that the Option is vested on the date of termination (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement). In the absence of a specified time in the Award Agreement, the Option will remain exercisable for three (3) months following the Participant’s termination. Unless otherwise provided by the Administrator, if on the date of termination the Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will revert to the Plan. If after termination the Participant does not exercise his or her Option as to all of the vested Shares within the time specified by the Administrator, the Option will terminate, and the remaining Shares covered by such Option will revert to the Plan.
(iii) **Disability of Participant.** If a Participant ceases to be a Service Provider as a result of the Participant’s Disability, the Participant may exercise his or her Option within such period of time as is specified in the Award Agreement to the extent the Option is vested on the date of termination (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement). In the absence of a specified time in the Award Agreement, the Option will remain exercisable for twelve (12) months following the Participant’s termination. Unless otherwise provided by the Administrator, if on the date of termination the Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will revert to the Plan. If after termination the Participant does not exercise his or her Option as to all of the vested Shares within the time specified by the Administrator, the Option will terminate, and the remaining Shares covered by such Option will revert to the Plan.

(iv) **Death of Participant.** If a Participant dies while a Service Provider, the Option may be exercised following the Participant’s death within such period of time as is specified in the Award Agreement to the extent that the Option is vested on the date of death (but in no event may the Option be exercised later than the expiration of the term of such Option as set forth in the Award Agreement), by the Participant’s designated beneficiary, provided such beneficiary has been designated prior to the Participant’s death in a form acceptable to the Administrator. If no such beneficiary has been designated by the Participant, then such Option may be exercised by the personal representative of the Participant’s estate or by the persons to whom the Option is transferred pursuant to the Participant’s will or in accordance with the laws of descent and distribution. In the absence of a specified time in the Award Agreement, the Option will remain exercisable for twelve (12) months following the Participant’s death. Unless otherwise provided by the Administrator, if at the time of death the Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will immediately revert to the Plan. If the Option is not exercised as to all of the vested Shares within the time specified by the Administrator, the Option will terminate, and the remaining Shares covered by such Option will revert to the Plan.

8. **Restricted Stock.**

(a) **Grant of Restricted Stock.** Subject to the terms and provisions of the Plan, the Administrator, at any time and from time to time, may grant Shares of Restricted Stock to Service Providers in such amounts as the Administrator, in its sole discretion, will determine.

(b) **Restricted Stock Agreement.** Each Award of Restricted Stock will be evidenced by an Award Agreement that will specify the Period of Restriction, the number of Shares granted, and such other terms and conditions as the Administrator, in its sole discretion, will determine. Unless the Administrator determines otherwise, Shares of Restricted Stock will be held by the Company as escrow agent until the restrictions on such Shares have lapsed.

(c) **Transferability.** Except as provided in this Section 8, Shares of Restricted Stock may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable Period of Restriction.

(d) **Other Restrictions.** The Administrator, in its sole discretion, may impose such other restrictions on Shares of Restricted Stock as it may deem advisable or appropriate.

(e) **Section 162(m) Performance Restrictions.** For purposes of qualifying grants of Restricted Stock as “performance–based compensation” under Section 162(m) of the Code, the Administrator, in its discretion, may set restrictions based upon the achievement of Performance Goals. The Performance Goals shall be set by the Administrator on or before the latest date permissible to enable the Restricted Stock to qualify as “performance–based compensation” under Section 162(m) of the
Code. In granting Restricted Stock which is intended to qualify under Section 162(m) of the Code, the Administrator shall follow any procedures determined by it from time to time to be necessary or appropriate to ensure qualification of the Restricted Stock under Section 162(m) of the Code (e.g., in determining the Performance Goals).

(f) **Removal of Restrictions.** Except as otherwise provided in this Section 8, Shares of Restricted Stock covered by each Restricted Stock grant made under the Plan will be released from escrow as soon as practicable after the last day of the Period of Restriction. The Administrator, in its discretion, may accelerate the time at which any restrictions will lapse or be removed.

(g) **Voting Rights.** During the Period of Restriction, Service Providers holding Shares of Restricted Stock granted hereunder may exercise full voting rights with respect to those Shares, unless the Administrator determines otherwise.

(h) **Dividends and Other Distributions.** During the Period of Restriction, Service Providers holding Shares of Restricted Stock will be entitled to receive all dividends and other distributions paid with respect to such Shares unless otherwise provided in the Award Agreement. If any such dividends or distributions are paid in Shares, the Shares will be subject to the same restrictions on transferability and forfeitability as the Shares of Restricted Stock with respect to which they were paid.

(i) **Return of Restricted Stock to Company.** On the date set forth in the Award Agreement, the Restricted Stock for which restrictions have not lapsed will revert to the Company and again will become available for grant under the Plan.

9. **Stock Appreciation Rights.**

(a) **Grant of SARs.** Subject to the terms and conditions of the Plan, a SAR may be granted to Service Providers at any time and from time to time as will be determined by the Administrator, in its sole discretion.

(b) **Number of Shares.** The Administrator will have complete discretion to determine the number of SARs granted to any Service Provider.

(c) **Exercise Price and Other Terms.** The Administrator, subject to the provisions of the Plan, will have complete discretion to determine the terms and conditions of SARs granted under the Plan; provided, however, that the exercise price will be no less than 100% of the Fair Market Value of the Awarded Stock on the date of grant.

(d) **Exercise of SARs.** SARs will be exercisable on such terms and conditions as the Administrator, in its sole discretion, will determine. The Administrator, in its sole discretion, may accelerate exercisability at any time.

(e) **SAR Agreement.** Each SAR grant will be evidenced by an Award Agreement that will specify the exercise price, the term of the SAR, the conditions of exercise, and such other terms and conditions as the Administrator, in its sole discretion, will determine.

(f) **Expiration of SARs.** An SAR granted under the Plan will expire upon the date determined by the Administrator, in its sole discretion, and set forth in the Award Agreement. Notwithstanding the foregoing, the rules of Sections 7(e)(ii), 7(e)(iii) and 7(e)(iv) also will apply to SARs.

(g) **Payment of SAR Amount.** Upon exercise of an SAR, a Participant will be entitled to receive payment from the Company (less applicable withholding) in an amount determined by multiplying:

(i) The difference between the Fair Market Value of a Share on the date of exercise over the exercise price; times
At the discretion of the Administrator, the payment upon SAR exercise may be in cash, in Shares of equivalent value, or in some combination thereof.


   (a) Grant of Performance Units/Shares. Subject to the terms and conditions of the Plan, Performance Units and Performance Shares may be granted to Service Providers at any time and from time to time, as will be determined by the Administrator, in its sole discretion. The Administrator will have complete discretion in determining the number of Performance Units and Performance Shares granted to each Participant.

   (b) Value of Performance Units/Shares. Each Performance Unit will have an initial value that is established by the Administrator on or before the date of grant. Each Performance Share will have an initial value equal to the Fair Market Value of a Share on the date of grant.

   (c) Performance Objectives and Other Terms. (i) The Administrator will set performance objectives in its discretion which, depending on the extent to which they are met, will determine the number or value of Performance Units/Shares that will be paid out to the Participant. The time period during which the performance objectives will be measured and must be satisfied will be called the “Performance Period” and will have a duration of at least 12 months. Each Award of Performance Units/Shares will be evidenced by an Award Agreement that will specify the Performance Period, and such other terms and conditions as the Administrator, in its sole discretion, will determine. The Administrator may set performance objectives based upon the achievement of Company–wide, divisional, or individual goals (including solely continued service), applicable federal or state securities laws, or any other basis determined by the Administrator in its discretion.

   (ii) For purposes of qualifying grants of Performance Units/Shares as “performance–based compensation” under Section 162(m) of the Code, the Administrator in its discretion, may determine that the performance objectives applicable to Performance Units/Shares shall be based on the achievement of Performance Goals. The Performance Goals shall be set by the Administrator on or before the latest date permissible to enable the Performance Units/Shares to qualify as “performance–based compensation” under Section 162(m) of the Code. In granting Performance Units/Shares which are intended to qualify under Section 162(m) of the Code, the Administrator shall follow any procedures determined by it from time to time to be necessary or appropriate to ensure qualification of the Performance Units/Shares under Section 162(m) of the Code (e.g., in determining the Performance Goals).

   (d) Earning of Performance Units/Shares. After the applicable Performance Period has ended, the holder of Performance Units/Shares will be entitled to receive a payout of the number of Performance Units/Shares earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding performance objectives have been achieved. After the grant of a Performance Unit/Share, the Administrator, in its sole discretion, may reduce or waive any performance objectives for such Performance Unit/Share.

   (e) Form and Timing of Payment of Performance Units/Shares. Payment of earned Performance Units/Shares will be made after the expiration of the applicable Performance Period at the time determined by the Administrator. The Administrator, in its sole discretion, may pay earned Performance Units/Shares in the form of cash, in Shares (which have an aggregate Fair Market Value equal to the value of the earned Performance Units/Shares at the close of the applicable Performance Period) or in a combination thereof.
(f) **Cancellation of Performance Units/Shares.** On the date set forth in the Award Agreement, all unearned or unvested Performance Units/Shares will be forfeited to the Company, and again will be available for grant under the Plan.

11. **Restricted Stock Units.** Restricted Stock Units shall consist of a Restricted Stock, Performance Share or Performance Unit Award that the Administrator, in its sole discretion, permits to be paid out in installments or on a deferred basis, in accordance with rules and procedures established by the Administrator.

12. **Leaves of Absence.** Unless the Administrator provides otherwise, vesting of Awards granted hereunder will be suspended during any unpaid leave of absence and will resume on the date the Participant returns to work on a regular schedule as determined by the Company; provided, however, that no vesting credit will be awarded for the time vesting has been suspended during such leave of absence. For purposes of Incentive Stock Options, no such leave may exceed ninety (90) days, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, then three months following the 91st day of such leave any Incentive Stock Option held by the Participant will cease to be treated as an Incentive Stock Option and will be treated for tax purposes as a Nonstatutory Stock Option.

13. **Formula Option Grants to Non−Owner Outside Directors.** All grants of Options to Non−Owner Outside Directors pursuant to this Section 13 shall be automatic and nondiscretionary, except as otherwise provided herein, and will be made strictly in accordance with the following provisions:

   (a) **Type of Option.** All Options granted pursuant to this Section shall be Nonstatutory Stock Options and, except as otherwise provided herein, shall be subject to the other terms and conditions of the Plan.

   (b) **No Discretion.** No person shall have any discretion to select which Non−Owner Outside Directors shall be granted Options under this Section or to determine the number of Shares to be covered by such Options (except as provided in Section 13(e)).

   (c) **Option Grant.** Commencing in 2005, each Non−Owner Outside Director automatically will be granted an Option to purchase 25,000 Shares (a “Director Option”) on the first trading day on or after August 23 of each year, if, as of such date, he or she has served on the Board for at least the preceding five (5) months.

   (d) **Terms.** The terms of each Director Option shall be as follows:

      (i) The term of the Director Option shall be ten (10) years.

      (ii) The exercise price per Share shall be 100% of the Fair Market Value per Share on the date of grant of the Director Option.

      (iii) Subject to Section 15 hereof, the Director Option will vest and become exercisable as to one-twelfth ($\frac{1}{12}$) of the Shares each month following the date of grant, provided that the Participant continues to serve as a Director through such dates.

      (iv) The Director Option shall remain exercisable, to the extent then vested, for twelve (12) months following the termination of the Director’s status as a Service Provider, whether by death, Disability, resignation, or any other reason; provided, however, that no Director Option shall be exercisable after the expiration of the term set forth in clause (i) above.

   (e) **Amendment.** The Administrator in its discretion may change the number of Shares subject to Director Options granted under this Section.
14. **Non-Transferability of Awards.** Unless determined otherwise by the Administrator, an Award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Participant, only by the Participant. If the Administrator makes an Award transferable, such Award will contain such additional terms and conditions as the Administrator deems appropriate.

15. **Adjustments; Dissolution or Liquidation; Change in Control.**

   (a) **Adjustments.** In the event that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company, or other change in the corporate structure of the Company affecting the Shares occurs such that an adjustment is determined by the Administrator (in its sole discretion) to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Administrator shall, in such manner as it may deem equitable, adjust the number and class of Shares which may be delivered under the Plan, the number, class and price of Shares subject to outstanding awards, the number of Shares covered by awards granted under Section 13, and the numerical limits in Sections 3 and 6. Notwithstanding the preceding, the number of Shares subject to any Award always shall be a whole number.

   (b) **Dissolution or Liquidation.** In the event of the proposed dissolution or liquidation of the Company, the Administrator will notify each Participant as soon as practicable prior to the effective date of such proposed transaction. The Administrator in its discretion may provide for a Participant to have the right to exercise his or her Award, to the extent applicable, until ten (10) days prior to such transaction as to all of the Awarded Stock covered thereby, including Shares as to which the Award would not otherwise be exercisable. In addition, the Administrator may provide that any Company repurchase option or forfeiture rights applicable to any Award shall lapse 100%, and that Award vesting shall accelerate 100% and all vesting criteria is fully satisfied, provided the proposed dissolution or liquidation takes place at the time and in the manner contemplated. To the extent it has not been previously exercised or vested, an Award will terminate immediately prior to the consummation of such proposed action.

   (c) **Change in Control.**

      (i) **Stock Options and SARs.** In the event of a Change in Control, each outstanding Option and SAR shall be assumed or an equivalent option or SAR substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. Unless determined otherwise by the Administrator, in the event that the successor corporation refuses to assume or substitute for the Option or SAR, the Participant shall fully vest in and have the right to exercise the Option or SAR as to all of the Awarded Stock, including Shares as to which it would not otherwise be vested or exercisable. If an Option or SAR is not assumed or substituted in the event of a Change in Control, the Administrator shall notify the Participant in writing or electronically that the Option or SAR shall be exercisable, to the extent vested, for a period of fifteen (15) days from the date of such notice, and the Option or SAR shall terminate upon the expiration of such period. For the purposes of this paragraph, the Option or SAR shall be considered assumed if, following the Change in Control, the option or SAR confers the right to purchase or receive, for each Share of Awarded Stock subject to the Option or SAR immediately prior to the Change in Control, the consideration (whether stock, cash, or other securities or property) received in the Change in Control by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such
consideration received in the Change in Control is not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of the Option or SAR, for each share of Awarded Stock subject to the Option or SAR, to be solely common stock of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the Change in Control. Notwithstanding anything herein to the contrary, an Award that vests, is earned or paid-out upon the satisfaction of one or more performance goals will not be considered assumed if the Company or its successor modifies any of such performance goals without the Participant’s consent; provided, however, a modification to such performance goals only to reflect the successor corporation’s post–Change in Control corporate structure will not be deemed to invalidate an otherwise valid Award assumption.

(ii) Restricted Stock, Performance Shares, Performance Units, and Restricted Stock Units. In the event of a Change in Control, each outstanding Award of Restricted Stock, Performance Share, Performance Unit, and Restricted Stock Unit shall be assumed or an equivalent award substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. Unless determined otherwise by the Administrator, in the event that the successor corporation refuses to assume or substitute for the Award, the Participant shall fully vest in the Award including as to Shares/Units that would not otherwise be vested, all applicable restrictions will lapse, and all performance objectives and other vesting criteria will be deemed achieved at targeted levels. For the purposes of this paragraph, an Award of Restricted Stock, Performance Share, Performance Unit, and Restricted Stock Unit shall be considered assumed if, following the Change in Control, the award confers the right to purchase or receive, for each Share subject to the Award immediately prior to the Change in Control (and if a Restricted Stock Unit or Performance Unit, for each Share as determined based on the then current value of the unit), the consideration (whether stock, cash, or other securities or property) received in the Change in Control by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the Change in Control is not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide that the consideration to be received for each Share (and if a Restricted Stock Unit or Performance Unit, for each Share as determined based on the then current value of the unit) be solely common stock of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the Change in Control. Notwithstanding anything herein to the contrary, an Award that vests, is earned, or paid-out upon the satisfaction of one or more performance goals will not be considered assumed if the Company or its successor modifies any of the performance goals without the Participant’s consent; provided, however, a modification to the performance goals only to reflect the successor corporation’s post–Change in Control corporate structure will not be deemed to invalidate an otherwise valid Award assumption.

(iii) Outside Director Awards. Notwithstanding any provision of Section 15(c)(i) or 15(c)(ii) to the contrary, with respect to Awards granted to an Outside Director that are assumed or substituted for, if on the date of or following the assumption or substitution the Participant’s status as a Director or a director of the successor corporation, as applicable, is terminated other than upon a voluntary resignation by the Participant, then the Participant shall fully vest in and have the right to exercise his or her Options and Stock Appreciation Rights as to all of the Awarded Stock, including Shares as to which such Awards would not otherwise be vested or exercisable, all restrictions on Restricted Stock and Restricted Stock Units, as applicable, will lapse, and, with respect to Performance Shares and Performance Units, all performance goals
and other vesting criteria will be deemed achieved at target levels and all other terms and conditions met.

16. **Date of Grant.** The date of grant of an Award will be, for all purposes, the date on which the Administrator makes the determination granting such Award, or such other later date as is determined by the Administrator. Notice of the determination will be provided to each Participant within a reasonable time after the date of such grant.

17. **Term of Plan.** Subject to Section 22 of the Plan, the Plan will become effective upon its adoption by the Board. It will continue in effect for a term of ten (10) years unless terminated earlier under Section 18 of the Plan.

18. **Amendment and Termination of the Plan.**

   (a) **Amendment and Termination.** The Board may at any time amend, alter, suspend, or terminate the Plan.

   (b) **Stockholder Approval.** The Company will obtain stockholder approval of any Plan amendment to the extent necessary and desirable to comply with Applicable Laws. In accordance with the foregoing, the Company will obtain stockholder approval of any material (as determined by the Board) amendment to the Plan.

   (c) **Effect of Amendment or Termination.** No amendment, alteration, suspension, or termination of the Plan will impair the rights of any Participant, unless mutually agreed otherwise between the Participant and the Administrator, which agreement must be in writing and signed by the Participant and the Company. Termination of the Plan will not affect the Administrator’s ability to exercise the powers granted to it hereunder with respect to Awards granted under the Plan prior to the date of such termination.

19. **Conditions Upon Issuance of Shares.**

   (a) **Legal Compliance.** Shares will not be issued pursuant to the exercise of an Award unless the exercise of such Award and the issuance and delivery of such Shares will comply with Applicable Laws and will be further subject to the approval of counsel for the Company with respect to such compliance.

   (b) **Investment Representations.** As a condition to the exercise or receipt of an Award, the Company may require the person exercising or receiving such Award to represent and warrant at the time of any such exercise or receipt that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

20. **Severability.** Notwithstanding any contrary provision of the Plan or an Award to the contrary, if any one or more of the provisions (or any part thereof) of this Plan or the Awards shall be held invalid, illegal, or unenforceable in any respect, such provision shall be modified so as to make it valid, legal, and enforceable, and the validity, legality, and enforceability of the remaining provisions (or any part thereof) of the Plan or Award, as applicable, shall not in any way be affected or impaired thereby.

21. **Inability to Obtain Authority.** The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company’s counsel to be necessary to the lawful issuance and sale of any Shares hereunder, will relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority will not have been obtained.

22. **Stockholder Approval.** The Plan will be subject to approval by the stockholders of the Company within twelve (12) months after the date the Plan is adopted. Such stockholder approval will be obtained in the manner and to the degree required under Applicable Laws.
Dear Stockholder:

Please take note of the important information enclosed with this Proxy. The issues discussed herein, related to the operation of the Company, require your immediate attention.

Your vote counts, and you are strongly encouraged to exercise your right to vote your shares.

Please mark the boxes on the proxy card to indicate how your shares will be voted. Then sign the card, detach it and return your proxy in the enclosed postage paid envelope.

Thank you in advance for your prompt consideration of these matters.

Sincerely,

UTStarcom, Inc.
Your vote is important. Please vote immediately.

Vote—by—Internet
Log on to the Internet and go to http://www.eproxyvote.com/utsi

OR

Vote—by—Telephone
Call toll-free 1–877–PRX–VOTE (1–877–779–8883)

If you vote over the internet or by telephone, please do not mail your card.

DETACH HERE IF YOU ARE RETURNING YOUR PROXY CARD BY MAIL
ZUTS71

Please mark votes as in this example.

☑

1. Election of Directors:
Nominees: (01) Allen Lenzmeier and (02) Larry D. Horner
FOR ALL NOMINEES ☐ ☐ WITHHELD FROM ALL NOMINEES ☐

☐
For all nominees except as noted above

☐

In his discretion, the Proxy is authorized to vote upon such other business that may properly come before the meeting

MARK HERE FOR ADDRESS CHANGE AND NOTE AT LEFT ☐

FOR AGAINST ABSTAIN
1. Election of Directors:
2. Adoption of the 2005 Equity Incentive Plan
3. Ratify the appointment of PricewaterhouseCoopers LLP as independent registered public accounting firm

Please sign exactly as name appears hereon. Joint owners should each sign. Executors, administrators, trustees, guardians or other fiduciaries should give full title as such. If signing for a corporation, please sign in full corporate name by a duly authorized officer.

Signature: __________________________ Date: __________ Signature: __________________________ Date: __________
EXHIBIT 23
UTStarcom Q1 2003 Earnings Results: Best Quarter in Company's History

Company Reaches 13 Consecutive Quarters of Profitability With Record Revenues And Earnings, and Raises Guidance for 2003

ALAMEDA, Calif., Apr 16, 2003 /PRNewswire-FirstCall via COMTEX/ --

UTStarcom, Inc. (Nasdaq: UTSI), a leading global provider of wireless and wireline access and IP switching solutions, today reported record revenues and earnings for its first quarter ended March 31, 2003. UTStarcom will conduct a conference call today, Wednesday, April 16, at 1:30 p.m. PDT to discuss these results. (Please see Conference Call section below for dial-in numbers.)

"Again, it is my privilege to report such positive news for UTStarcom. The record revenues and earnings for the first quarter of the year mark the best results in the company's history," said Hong Lu, chief executive officer of UTStarcom, Inc. "Our focus on financial success, global expansion, technology leadership, and sustainability for long-term growth on a global basis will continue to demonstrate our commitment to deliver tremendous value for our customers and strong financial results for our investors."

Net sales for the first quarter of 2003 increased to $330.5 million, an increase of 80% over the $183.7 million in net sales reported in the prior year period.

Net income for the first quarter of 2003 increased 113% year-over-year to $37.3 million, or $0.33 per share, compared to net income of $17.5 million, or $0.15 per share, for the first quarter of 2002.

"The unparalleled demand across all of UTStarcom's product lines continues to drive strong revenue growth for the company," added Mike Sophie, chief financial officer of UTStarcom, Inc. "Both operationally and financially, UTStarcom continues to execute on and exceed its stated goals, allowing us to once again, raise guidance going forward."

Raising Guidance:

UTStarcom is raising its guidance for 2003 and building the CommWorks acquisition into that guidance. CommWorks is expected to close in late Q2 and therefore should not contribute any revenue for the second quarter. As previously discussed, an In-Process Research and Development charge of approximately $8 million and Operating Expenses of approximately $4 million related to the acquisition will be recorded in Q2. CommWorks is expected to contribute approximately $25 million in revenue and be neutral to EPS in the third quarter and contribute revenue of $25-$30 million and be $0.01-$0.02 accretive to EPS in the fourth quarter. With that, the full-year revised Company guidance is as follows:

Revenue for the second quarter of 2003 is expected to be in the range of $380 to $390 million, with earnings per share expected to be approximately $0.29-$0.30 for the quarter on a GAAP basis, inclusive of ($0.09) charge for CommWorks. Revenue for the full-year 2003 is expected to be approximately $1.65 to $1.7 billion, as compared to the upward guidance of $1.4 billion given in March of this year. Earnings per share for 2003 is expected to be approximately $1.50-$1.51 on a GAAP basis, inclusive of ($0.09) charge for CommWorks anticipated in Q2, as compared to the upward guidance of $1.44 given in March.

Key Highlights for Q1 2003

Stellar Financial Performance
-- Best Q1 performance in company's history: Revenues of $330.5 million, EPS $0.33.
-- Announced more than $350 million in contracts in the first quarter, adding substantial incremental visibility to the record $605 million backlog entering 2003.
-- Raised first quarter and fiscal-year guidance in March following strong sales and optimistic year-end outlook.
-- Logged 13th consecutive quarter of profitability since March 2000 IPO, once again exceeding street estimates.

Global Leadership
-- In China, the number of subscribers on UTStarcom's PAS networks
Investor Relations: UTStar.com

increased by 1.8 million to 9.3 million at the end of Q1.
- Extended PAS contracts for the first time to Guizhou, one of China’s Western provinces.
- Announced first IP-DSLAM contracts with China Netcom and follow-on contracts for IP-DSLAM with China Telecom, bringing the total number of lines deployed to over 200,000.
- Announced $100 million expansion of IP-based DSLAM deployment for Yahoo! BB in Japan, where more than two million people had subscribed for service as of March 2003.
- Launched first iPAS wireless access service in Ho Chi Minh, Vietnam with Vietnam Post and Telecommunications.

Strategic International Expansion
- Entered into an agreement to acquire selected assets of CommWorks, the carrier-focused division of 3Com Corporation, for $100 million.
- Establishes a global platform for profitable growth that leverages CommWorks’ diverse, blue-chip customer base, which includes 17 of the top 20 service providers in the world, primarily in the US and Europe.
- Gains strong portfolio of CommWorks’ wireline, wireless, and IP switching products that perfectly complements and extends UTStarcom’s existing product line.
- Obtains access to CommWorks’ world-class customer support and professional services organization, providing steady and recurring revenue and new sales opportunities.

Market Strength
- #1 in Worldwide Softswitch Market for 2002 (Infonetics Research)
- #1 in Worldwide PAS Market with nearly 10 million users worldwide, continue to hold 60% share in China
- #2 in Worldwide DSLAM Market for 2002 (Infonetics Research, Synergy Research Group)

Conference Call

The company will conduct a conference call, which is open to the public, to discuss these results. The call will take place at 1:30 p.m. (PDT) on Wednesday, April 16. The conference call dial-in numbers are as follows: United States -- 888-428-4479; International -- 612-288-0329.

A replay of the call will be available from approximately 5:00 p.m. (PDT) on April 16 to 11:59 p.m. (PDT) on April 23. The conference call replay numbers are as follows: United States -- 800-475-6701; International -- 320-385-3844. The Access Code is 681569. Investors will also have the opportunity to listen to the conference call and the replay over the Internet through UTStarcom’s Web site at: http://www.utstar.com

To listen to the live call, please go to the Web site at least 15 minutes early to register, and to download and install any necessary audio software. For those who cannot listen to the live broadcast, a replay will also be available on this site.

About UTStarcom, Inc.

Founded in 1991 and headquartered in Alameda, California, UTStarcom is a leading global provider of wireless and wireline access and IP switching solutions. The company designs, manufactures, sells, and installs an integrated suite of future-ready access network and next-generation switching solutions. We enable wireless and wireline operators in fast-growth markets worldwide to offer voice, data, and Internet access services rapidly and cost effectively by utilizing their existing infrastructure.

UTStarcom’s products provide a seamless migration from wireline to wireless, from narrowband to broadband, and from circuit- to packet-based networks by employing “Next Generation Network Technology. Now.” The company’s customers include public telecommunications service providers that operate wireless and wireline voice and data networks in rapidly growing communications markets around the world.

For more information about UTStarcom, visit the company’s Web site at www.utstar.com.
Forward-Looking Statements

This release includes forward-looking statements, including the foregoing statements regarding continued strength of the Company's business in China and in international markets as well as across product lines, the Company's ability to replicate its success in China in international markets, the guidance given for anticipated revenue and earnings per share for the first quarter and full-year of 2003, and the impact of backlog. These statements are forward-looking in nature and subject to risks and uncertainties that may cause actual results to differ materially. These risk factors include rapidly changing technology, the changing nature of global telecommunications markets, particularly in China, the termination of significant contracts, the direction and results of future research and development efforts, evolving product and applications standards, reduction or delays in system deployments, product transitions, potential non-realization of backlog, changes in demand for and acceptance of the Company's products, general adverse economic conditions, and trends and uncertainties such as changes in government regulation and licensing requirements, particularly in China. The Company also refers readers to the risk factors identified in its latest Registration Statement on Form S-3, its Annual Report on Form 10-K, and its Quarterly Reports on Form 10-Q as filed with the Securities and Exchange Commission.

UTStarcom, Inc.
Consolidated Statements of Operations
(In thousands, except per share amounts)
(Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>March 31 2003</th>
<th>March 31 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>$330,520</td>
<td>$183,690</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>217,835</td>
<td>116,048</td>
</tr>
<tr>
<td>Gross profit</td>
<td>112,685</td>
<td>65,642</td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Selling, general and administrative</td>
<td>37,583</td>
<td>23,686</td>
</tr>
<tr>
<td>Research and development</td>
<td>26,812</td>
<td>19,197</td>
</tr>
<tr>
<td>In process research and development</td>
<td>1,320</td>
<td>--</td>
</tr>
<tr>
<td>Amortization of intangible assets</td>
<td>695</td>
<td>477</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>66,410</td>
<td>43,350</td>
</tr>
<tr>
<td>Operating income</td>
<td>46,275</td>
<td>22,282</td>
</tr>
<tr>
<td>Interest and other income (expenses)</td>
<td>4,490</td>
<td>1,079</td>
</tr>
<tr>
<td>Equity in income (loss) of affiliated companies</td>
<td>(975)</td>
<td>(793)</td>
</tr>
<tr>
<td>Income before income taxes and minority interest</td>
<td>49,790</td>
<td>22,568</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>12,447</td>
<td>4,514</td>
</tr>
<tr>
<td>Minority interest in (earnings) of consolidated subsidiaries</td>
<td>--</td>
<td>(528)</td>
</tr>
<tr>
<td>Net income</td>
<td>$37,343</td>
<td>$17,526</td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td>$0.35</td>
<td>$0.16</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>$0.33</td>
<td>$0.15</td>
</tr>
<tr>
<td>Weighted average shares used in per-share calculation:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Basic</td>
<td>107,358</td>
<td>110,044</td>
</tr>
<tr>
<td>- Diluted</td>
<td>111,953</td>
<td>116,758</td>
</tr>
</tbody>
</table>

Three months ended
March 31

1. The above unaudited financial statements include the following non-cash expenses:

<table>
<thead>
<tr>
<th>Description</th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of Sales</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>Selling, general and administrative</td>
<td>118</td>
<td>542</td>
</tr>
<tr>
<td>Research and development</td>
<td>594</td>
<td>797</td>
</tr>
<tr>
<td>Total stock compensation expense</td>
<td>$715</td>
<td>$1,346</td>
</tr>
<tr>
<td>Amortization of intangible assets</td>
<td>$695</td>
<td>$477</td>
</tr>
<tr>
<td>In-process research and development</td>
<td>$1,320</td>
<td>$--</td>
</tr>
<tr>
<td>Impairment in investment portfolio</td>
<td>$223</td>
<td>$440</td>
</tr>
</tbody>
</table>

UTStarcom, Inc.
Consolidated Balance Sheets
(In thousands)
(Unaudited)

March 31  December 31, 2003  2002
(unaudited)

**ASSETS**

Current assets:
- Cash, cash equivalents and short-term investment: $604,004  $339,249
- Accounts receivable, net: 255,267  222,050
- Inventories, net: 794,468  424,666
- Prepaid expenses: 87,084  47,220
- Other current assets: 101,141  74,187
- Total current assets: 1,829,101  1,107,372
- Property, plant and equipment, net: 106,880  98,511
- Long-term investments: 25,651  35,360
- Goodwill and intangible assets, net: 55,379  49,820
- Other long term assets: 29,425  14,489
- Total assets: $2,046,436  $1,305,552

**LIABILITIES AND STOCKHOLDERS' EQUITY**

Current liabilities:
- Accounts payable: $476,885  $256,980
- Income taxes payable: 18,925  13,093
- Deferred revenue: 257,207  164,247
- Other: 118,243  104,927
- Total current liabilities: 871,260  539,157
- Long-term debt: 402,500  --
- Total liabilities: 1,273,760  539,157

Stockholders' equity:
- Common stock: 136  115
- Additional paid-in capital: 626,235  658,546
- Deferred stock compensation: (11,058)  (11,766)
- Retained earnings: 157,861  125,520
- Receivable from shareholders: (282)  (282)
- Other comprehensive (loss): (218)  (756)
- Total stockholders' equity: 772,676  766,395

Total liabilities and stockholders' equity:
- $2,046,436  $1,305,552

March 31  December 31, 2003  2002
(unaudited)
Inventories are made up of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>Quantity 1</th>
<th>Quantity 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventories at factories</td>
<td>215,015</td>
<td>132,735</td>
</tr>
<tr>
<td>Inventories at customer locations</td>
<td>579,453</td>
<td>291,931</td>
</tr>
<tr>
<td></td>
<td>794,468</td>
<td>424,666</td>
</tr>
</tbody>
</table>

SOURCE UTStarcom, Inc.

Michael J. Sophie, Vice President of Finance, CFO, +1-510-749-1510, or Cheska B. Kamieniecki, Investor Relations Manager, +1-510-749-1569, both of UTStarcom, Inc.; or Media, Stephanie Gallagher of Engage PR, +1-510-748-8200, ext. 213, or stephanie@engagepr.com, for UTStarcom, Inc.

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AP Archive: http://photoarchive.ap.org
PRN Photo Desk, 888-776-6555 or +1-212-782-2840

http://www.utstar.com

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News Provided by COMTEX
Q1 2003 UTStarcom Earnings Conference Call - Final
13,422 words
16 April 2003
15:30
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English
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OPERATOR: Ladies and gentlemen, thank you for standing by. Good morning, good afternoon or good evening and welcome to today's UTStarcom First Quarter 2003 Earnings Release. Now, at this point all phone lines are muted or in a listen-only mode. After the presentation today there'll be opportunities for questions and the instructions will be given at that time. Should you require assistance during earnings release you may reach an AT&T operator by pressing "0" then "star" on your phone keypad. As a reminder today's call is being recorded for replay purposes and that information will be given out at the conclusion of today's release. Well, with that being said here is our opening remarks with UTStarcom's Investor Relations Manager, Ms. Cheshia Kamieniecki. Please go ahead, ma'am.

CHESHA KAMIENIECKI, MANAGER, IR, UTSTARCOM INC.: Thank you. Good afternoon and welcome to UTStarcom's first quarter 2003 earnings conference call. I'm pleased to introduce our CEO, Hong Lu, and our CFO, Michael Sophie, who will host today's call. Hong Lu will begin the call this afternoon by providing an overview of key business performance for the quarter. Then, he will turn the call over to Mike, who'll give a detail financial review of the company. Afterward, we will turn the call over for Q&A.

Before we begin the call, I would like to remind everyone that some of the information we'll discuss today constitute forward-looking statement. Actual result could differ materially from our current expectation. To understand the risk that could cause results to differ, please refer to the risk factors identified in our latest annual report on Form 10-K and in our quarterly report on Form 10-Q, which are filed with the Securities and Exchange Commission. With that, I'll turn the call over to Hong. Hong?

HONG LU, CEO, UTSTARCOM INC.: Thank you Cheshia. Good afternoon and thanks for joining us today. I am pleased to share with you our strong performance of our first quarter of 2003. I'll focus today on our four key highlights of the quarter. Our continued financial success and second, our global expansion within China and beyond, and third is our technology leadership, and fourth, sustainability for the long-term growth.

First, I will like to discuss our financial success. We have just had the best quality quarterly performance in our company's history. Demand for our product continued to exceed our expectation. In our last six months, the company has experienced a major set-up in a level of the business, more than we have ever anticipated. The company had never before seen such a demand in growth. This is translating into a significant higher revenue and profitability. We have had record result of the quarter being our guidance and our estimates with the revenue of $330.5m and EPS of 33 cents. The company also has the tremendous visibility based on our years worth of a backlog in order flow. The next three quarters are now in place.

Because of the business has been so great, we have a rating in our guidance for the second time this year. Mike will explain this later.

The second highlight of this quarter is that we have continued to expand our presence around the globe both in China and beyond. China remains the largest, fastest growing telecom market in the world, with a major ten-years organization plan underway. About 1.8 million of subscribers were added UTStarcom PAS networks, upgrading our total number of the subscriber to 9.3 million at the end of the Q1. This represents approximately 61% of the total 15 million PAS subscribers in China at the end of March. We also began our first major shipment of our IP-DSLAM equipment to China Telecom in Gergeum (ph) province. Finally we announce our first IP-DSLAM contract with China Netcom.

We've also made significant progress on our expansion goals outside of Mainland China. Revenue from market outside of the Mainland China were $63.5m in Q1 '03 that's compared to $16.5m in Q1 2002. In Japan, the company announce another 100 million in contract in Q1 for IP-DSLAM. Our customer Yahoo! BB has more than
metro applications, voice-over-IP gateways and Class 4 and 5 softswitches. Handsets will account approximately 40% to 45% of revenues reflecting strong subscriber demand throughout China. Due to the continued expansion deployments of PAS Networks in China and the global markets, total revenue from wireless systems will be approximately 40%. Each of the above metrics can fluctuate with plus or minus 5%.

Our targets for gross margins as a percentage of revenue for Q1 was approximately 33% to 34%. And when anticipate margins will improve slightly, perhaps the half percent - 1% sequentially each quarter throughout 2003. Given Q1 margins exceeded our target, we anticipate Q2 remained consistent with Q1. Plus or minus a few tenths of a percent with slight sequential improvements in Q3 and Q4. For the full year 2003, our target for gross margins as a percent of revenue is between 34% and 35%. Throughout the balance of the year, we anticipate SG&A to increase in dollars each quarter and our target model to our SG&A is between 11% and 13% for 2003. As with sales, general and administration expenses, we also expect R&D to increase in absolute dollars sequentially throughout the year. We expect R&D to run about 8% to 10% for the sales in 2003.

Other income and expense should be a few hundred thousand per quarter reflecting current lower interest rates; and we may get additional refunds in the future but are not building that into our guidance. Our effective tax rate for 2003 should be approximately 25% and earnings per share based on the continuous strength of our core business, we're also raising our guidance. As mentioned earlier, we anticipate closing CommWorks acquisition late in Q2; and we anticipated financial impact at CommWorks is again no revenue for the quarter, in-process R&D and operating expenses of $10m to $12m. In Q3 and Q4, we're looking for breakeven earnings per share in Q3 in 1 to 2 cents accretive in Q4.

As a result, financial guidance from the company including the CommWorks acquisition is as follows. Q2 again revenues $380m to $390m and earnings per share 29 to 30 cents inclusive of the negative 9 cents charge for CommWorks. In full year 2003, revenues at $1.65b to $1.7b and arranged per share of $1.50 to $1.51.

I'd like to close the financial discussion by saying once again how extremely pleased we're all with our financial performance. We had another outstanding quarter with record revenues, profits and visibility well through Q4. We have continued to add new customers to deploy new products worldwide. Our balance sheet remains extremely strong as we continue to grow the company. And going forward, we anticipate continued top line growth profitability.

Now before I turn over to the Q&A session, I'd like to take a moment to address two recent issues that have caused concern among our investors. First is the issue of SARS and what potential impact would be on the company. The answer to that question is we do not expect any impact of SARS on the company's operations or performance. As a large global company, we have taken the necessary precautions asking our employees to eliminate any unnecessary travel between Asia and United States and to take extra care when traveling. This is also a reflection of the wartime climate as well as any health concerns. Furthermore, we have in place in China a comprehensive and extremely experienced management team who we are in constant contact with. We're extremely confident of our ability to continue the robust operations and sales we're experiencing. We continue to sign new contracts to deliver on our current backlog.

In addition, last Monday, there was an erroneous report in the Beijing Morning Post, which stated that WCDMA 3D testing in China was complete. It further report that lists were compiled ranking performance in those tests and indicated preferential treatment for those companies that ranked higher. The MII Regulatory Authority confirmed on Tuesday that this report was completely false. The trials have not yet been completed, and there are no and will be no list compiled. We're extremely enthusiastic about our performance in the 3G trials as well as very confident in our position to sell 3G when it comes to commercial deployment, which we will believe will continue to be in the 2005-2006 timeframe.

Now, I'd like to open to the call for questions and answers.

OPERATOR: Certainly. And ladies and gentlemen, then, as you just heard it, if you do have any questions or comments, we do invite you to queue up at this time. Just press the "1" on your touchtone phone. Now, you will hear a tone indicating that you've been placed in queue. And just press the no to remove yourselves from the queue by pressing the "pound" key now. An important point here is if you try to queue before hearing this announcement, we ask that you'd re-queue at this time by pressing the "1" on your touchtone phone. And one moment, please, for our first question. And representing CIVS Word Markets we go to the line of Dale Pfau. Please go head.

EARL LAUM, ANALYST, CIBC WORLD MARKETS: Hi guys. It's Earl, I am in for Dale. Congratulations on a great
MICHAEL SOPHIE: And thank you very much. I really -- we just wanted to appreciate everybody for participation and it's a great quarter. And if you have any other questions please don't hesitate to call us. Thank you very much.

OPERATOR: And ladies and gentlemen your host is making today's conference available for [indiscernible] replays for one week now. It starts at 500 pm Pacific day light timing for the April 16th all the way through [indiscernible] April 23rd... Please access AT&T's executive replay service by dialing by 800-475-6701. At the voice prompt enter today conference ID of 681569. International participants you may access the replay as well by dialing 320-365-3844 again with the conference idea of 681569. Well, that does conclude our earnings release for this quarter. Thank you very much for your participation as well as for using AT&T's Executive Teleconference service. You may now disconnect.

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UTStarcom Q2 2003 Earnings Results: Record Revenues, Earnings, and Cash Collections Mark Best Quarter In Company’s History

Company Realizes Collections of More Than $750 Million and Raises Guidance for 2003

ALAMEDA, Calif., Jul 17, 2003 /PRNewswire-FirstCall via Comtex/ --

UTStarcom, Inc. (Nasdaq: UTSI), a leading global provider of wireless and wireline access and IP switching solutions, today reported record revenues and earnings for its second quarter ended June 30, 2003. UTStarcom will conduct a conference call today, Thursday, July 17, at 1:30 p.m. PDT to discuss these results. (Please see Conference Call section below for dial-in numbers.)

“I am extremely satisfied to report to our shareholders that once again we have achieved record revenues and earnings, marking 14 consecutive quarters of profitability,” said Hong Lu, chief executive officer of UTStarcom, Inc. “We continue to make significant progress toward our goal of becoming a key global telecommunications equipment provider. We are the worldwide market leader in several important product categories, business is strong in Japan and India, and we recently announced our first sale in Western Europe.”

Net sales for the second quarter of 2003 increased to $405.8 million, a sequential increase of 23 percent over the $330.5 million in net sales reported in the previous quarter and a 75 percent increase over the $231.5 million in net sales reported in the second quarter of 2002.

Net income for the second quarter of 2003 increased 53 percent year-over-year to $39.4 million, or $0.33 per share, compared to net income of $25.7 million, or $0.22 per share, for the second quarter of 2002.

“Our level of profitability and ability to once again raise guidance going forward is reflective of continued strong customer demand for our products,” said Mike Sophie, chief financial officer of UTStarcom, Inc. “EPS is especially impressive as it reflects a $0.09 charge associated with the completion of strategic acquisitions during the quarter as well as the 16.9 million share dilution associated with the convertible bond issued in March of this year.”

Sophie added, “The proof of our success is also demonstrated in the strong cash collections from customers which came in at approximately $751 million versus our target of $600 million.”

Raising Guidance:

UTStarcom is again raising its guidance for 2003. Full-year revised company guidance is as follows:

Revenue for the third quarter of 2003 is expected to be in the range of $495 million to $505 million, with earnings per share expected to be approximately $0.42-$0.43 for the quarter on a GAAP basis. Revenue for the full-year 2003 is expected to be approximately $1.80 billion to $1.82 billion, as compared to the guidance of $1.65 billion to $1.7 billion given in April of this year. Earnings per share for 2003 is expected to be approximately $1.55-$1.56 on a GAAP basis, as compared to the guidance of $1.50-$1.51 given in April.

The company will provide specific guidance for 2004 on the Q3 earnings conference call scheduled for October 23, and continues to target a long-term growth rate of 20-25 percent.

Key Highlights for Q2 2003

Stellar Financial Performance
-- Experienced best financial performance in company's history: Revenues of $405.8 million, EPS $0.33.
-- Announced more than $240 million in contracts in the second quarter.
-- Raised third quarter and fiscal-year guidance following strong sales and optimistic year-end outlook.
-- Logged 14th consecutive quarter of profitability since March 2000 IPO, once again exceeding street estimates.
Global Leadership
- In China, the number of subscribers on UTStarcom's PAS networks increased by 3.2 million to 12.5 million of the estimated 20 million PAS subscribers in China at the end of Q2.
- The Company extended PAS contracts for the first time to Beijing and other metropolitan cities in China.
- UTStarcom announced largest IP-DSLAM contract with China Telecom to date, bringing the total number of lines deployed to more than 400,000.
- In Japan, popularity of Yahoo! BB continues to grow, with more than 2.8 million subscribers as of June 2003.

Strategic International Expansion
- Announced first deal in Western Europe, with Cyprus Telecommunications Authority, in June.
- Closed deal to acquire selected assets of CommWorks, the carrier-focused division of Com Corporation, for $100 million.
- Deal leverages CommWorks' diverse, blue-chip customer base.
- CommWorks' products complement and extend UTStarcom's existing product line.
- CommWorks' customer support and professional services organization provides access to steady and recurring revenue and new sales opportunities.

Sustained Market Strength
- #1 in Worldwide PAS Market with nearly 14 million users worldwide; company continues to hold 60% market share in China.
- DSL port sales up 66.9% from 2002, representing the highest growth rate in the industry (Dell'Oro Group).

Conference Call
The company will conduct a conference call, which is open to the public, to discuss these results. The call will take place at 1:30 p.m. (PDT) on Thursday, July 17. The conference call dial-in numbers are as follows: United States – 888-428-4479; International – 651-291-5254.

A replay of the call will be available from approximately 5:00 p.m. (PDT) on July 17 to 11:59 p.m. (PDT) on July 24. The conference call replay numbers are as follows: United States – 800-475-6701; International – 320-365-3844. The Access Code is 691171.

Investors will also have the opportunity to listen to the conference call and the replay over the Internet through UTStarcom's Web site at: http://www.utstar.com

To listen to the live call, please go to the Web site at least 15 minutes early to register, and to download and install any necessary audio software. For those who cannot listen to the live broadcast, a replay will also be available on this site.

About UTStarcom, Inc.

Founded in 1991 and headquartered in Alameda, California, UTStarcom is a leading global provider of wireless and wireline access and IP switching solutions. The company designs, manufactures, sells, and installs an integrated suite of future-ready access network and next-generation switching solutions. We enable wireless and wireline operators in fast-growth markets worldwide to offer voice, data, and Internet access services rapidly and cost effectively by utilizing their existing infrastructure.

UTStarcom's products provide a seamless migration from wireline to wireless, from narrowband to broadband, and from circuit- to packet-based networks by employing "Next Generation Network Technology. Now." The company's customers include public telecommunications service providers that
operate wireless and wireline voice and data networks in rapidly growing communications markets around the world.

For more information about UTStarcom, visit the company's Web site at www.utstar.com.

Forward-Looking Statements

This release includes forward-looking statements, including the foregoing statements regarding continued strength of the Company's business in China and in international markets as well as across product lines, the Company's ability to replicate its success in China in international markets, the guidance given for anticipated revenue and earnings per share for the third quarter and full-year of 2003 and the ability of the Company to integrate and leverage CommWorks to obtain access to additional revenue and sales opportunities. These statements are forward-looking in nature and subject to risks and uncertainties that may cause actual results to differ materially. These risk factors include rapidly changing technology, the changing nature of global telecommunications markets, particularly in China, the termination of significant contracts, the direction and results of future research and development efforts, evolving product and applications standards, reduction or delays in system deployments, product transitions, potential non-realization of backlog, changes in demand for and acceptance of the Company's products, general adverse economic conditions, and trends and uncertainties such as changes in government regulation and licensing requirements, particularly in China. The Company also refers readers to the risk factors identified in its latest Registration Statement on Form S-3, its Annual Report on Form 10-K, and its Quarterly Reports on Form 10-Q as filed with the Securities and Exchange Commission.

UTStarcom, Inc.
Consolidated Statements of Operations
(In thousands, except per share amounts)
(Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>Three months ended</th>
<th></th>
<th>Six months ended</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>$405,834</td>
<td>$231,508</td>
<td>$736,354</td>
<td>$415,198</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>268,330</td>
<td>145,596</td>
<td>486,165</td>
<td>263,644</td>
</tr>
<tr>
<td>Gross profit</td>
<td>137,504</td>
<td>85,912</td>
<td>250,189</td>
<td>151,554</td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Selling, general and administrative</td>
<td>34,963</td>
<td>29,520</td>
<td>72,546</td>
<td>53,206</td>
</tr>
<tr>
<td>Research and development</td>
<td>36,078</td>
<td>21,370</td>
<td>62,890</td>
<td>40,567</td>
</tr>
<tr>
<td>In process research and development</td>
<td>9,329</td>
<td>670</td>
<td>10,640</td>
<td>670</td>
</tr>
<tr>
<td>Amortization of intangible assets</td>
<td>1,483</td>
<td>656</td>
<td>2,170</td>
<td>1,133</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>81,852</td>
<td>52,316</td>
<td>148,262</td>
<td>95,576</td>
</tr>
<tr>
<td>Operating income</td>
<td>55,652</td>
<td>33,696</td>
<td>101,927</td>
<td>55,978</td>
</tr>
<tr>
<td>Interest and other income (expenses)</td>
<td>(1,357)</td>
<td>(737)</td>
<td>3,133</td>
<td>342</td>
</tr>
<tr>
<td>Equity in income (loss) of affiliated companies</td>
<td>(1,745)</td>
<td>(6)</td>
<td>(2,720)</td>
<td>(799)</td>
</tr>
<tr>
<td>Income before income taxes and minority interest</td>
<td>52,550</td>
<td>32,953</td>
<td>102,340</td>
<td>55,521</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>13,138</td>
<td>6,590</td>
<td>25,585</td>
<td>11,104</td>
</tr>
<tr>
<td>Minority interest in (earnings) of consolidated subsidiaries</td>
<td>--</td>
<td>(626)</td>
<td>--</td>
<td>(1,156)</td>
</tr>
<tr>
<td>Net income</td>
<td>$39,412</td>
<td>$25,735</td>
<td>$76,755</td>
<td>$43,261</td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td>$0.39</td>
<td>$0.23</td>
<td>$0.74</td>
<td>$0.39</td>
</tr>
</tbody>
</table>
Diluted earnings per share | $0.33 | $0.22 | $0.62 | $0.37

Weighted average shares used in per-share calculation:
- Basic: 100,698 111,549 104,009 110,806
- Diluted: 124,360 117,343 126,409 117,074

Three months ended Six months ended
June 30, June 30, June 30, June 30,
2003 2002 2003 2002

1. The above unaudited financial statements include the following non-cash expenses:

| Cost of Sales | $2 | $6 | $5 | $13 |
| Selling, general and administrative | 68 | 249 | 106 | 791 |
| Research and development | 2,290 | 250 | 2,844 | 1,055 |
| Total stock compensation expense | $2,356 | $513 | $3,075 | $1,859 |
| Amortization of intangible assets | $1,483 | $656 | $2,178 | $1,133 |
| In-process research and development | $9,328 | $670 | $10,648 | $670 |
| Impairment in investment portfolio | $-- | $650 | $233 | $1,090 |

2. Earnings per share

Basic earnings per share
Income available to common stockholders | $39,412 | $25,735 | $76,755 | $43,261 |

Effect of Dilutive Securities
7/8% Convertible Subordinated Notes | 1,092 | -- | 1,375 | -- |

Diluted earnings per share
Income available to common stockholders + assumed conversions | $40,504 | $25,735 | $78,130 | $43,261 |

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UTStarcom, Inc.
Consolidated Balance Sheets
(In thousands)
(Unaudited)

June 30, December 31,
2003 2002

(unaudited)

**ASSETS**

Current assets:
- Cash, cash equivalents and short-term investment | $281,260 | $339,249 |
- Accounts receivable, net | 263,131 | 222,050 |
- Inventories, net | 1,099,044 | 424,666 |
- Prepaid expenses | 139,418 | 47,220 |
- Other current assets | 113,063 | 74,187 |
- Total current assets | 1,895,971 | 1,107,572 |
- Property, plant and equipment, net | 115,731 | 98,511 |
- Long-term investments | 24,697 | 35,360 |
- Goodwill and intangible assets, net | 149,054 | 49,820 |
- Other long term assets | 26,138 | 14,489 |
- Total assets | $2,231,591 | $1,305,552 |

**LIABILITIES AND STOCKHOLDERS' EQUITY**

Current liabilities:
- Accounts payable | $425,678 | $256,986 |
<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income taxes payable</td>
<td>4,881</td>
<td>13,003</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>545,343</td>
<td>164,247</td>
</tr>
<tr>
<td>Other</td>
<td>140,463</td>
<td>104,927</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>1,116,665</td>
<td>539,157</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>402,500</td>
<td>--</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>1,519,165</td>
<td>539,157</td>
</tr>
</tbody>
</table>

Stockholders' equity:
- Common stock: 128, 135
- Additional paid-in capital: 617,643, 658,546
- Deferred stock compensation: (9,113), (11,766)
- Retained earnings: 104,282, 120,520
- Receivable from shareholders: (275), (282)
- Other comprehensive (loss): 301, (758)
- Total stockholders' equity: 712,726, 766,395

Total liabilities and stockholders' equity: $2,231,591, $1,305,552

June 30, 2003
December 31, 2002
(unaudited)

Inventories are made up of the following:
- Inventories at factories: $300,706, $332,735
- Inventories at customer locations: 790,939, 291,931
- $1,099,644, $424,666

SOURCE UTStarcom, Inc.

Photo: NewsCom: http://www.newscom.com/cgi-bin/prnh/20001102/UTSILOG

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News Provided by COMTEX
EXHIBIT 26
OPERATOR: Ladies and gentlemen, thank you for standing by, and welcome to the UTStarcom second-quarter 2003 earnings conference call. (CALLER INSTRUCTIONS) I would now like to turn the call over to our host Chesha Kamieniecki.

CHESHA KAMIENIECKI, HOST, UTSTARCOM INCORPORATED: Thank you very much. Good afternoon and welcome to UTStarcom's second-quarter 2003 earnings conference call. I am pleased to introduce our CEO Hong Lu and our CFO Mike Sophie who will host today's call. Hong will begin the call this afternoon and by providing an overview and key highlights for the quarter. Then he will turn the call over to Mike who will give a detailed financial review of the Company. Afterwards, we will turn the call over for Q&A.

Before we begin the call, I would like to remind everyone that some of the information we will discuss today constitutes forward-looking statements. Actual results could differ materially from our current expectations. To understand the risks that could cause results to differ, please refer to the risk factors identified in our latest annual report on form 10-K and quarterly reports on form 10-Q which are filed with the Securities and Exchange Commission. With that, I will turn the call over to Hong.

HONG LU, CEO, UTSTARCOM INCORPORATED: Thank you. Thanks for joining us today. I would like to begin with the call by saying how pleased I am to share with you and our shareholders another quarter of the record results for UTStarcom. A key factor for long-term sustainable success includes four milestones. One, consistently strong financial performance. Two, continued broad growth in mainland China. Third, significant global expansion and opportunities, and number four, sustain market leadership in key technologies.

First, our financial success. Once again, UTStarcom delivered a record quarter in both revenue and profit based on continues strong demand for our products. Second-quarter revenue came in at 405.8 million, and EPS was 33 cents exceeding both guidance and the street estimates. Accordingly, UTStarcom collected more than 750 million in cash, an all-time record. We believe this reflects a tremendous amount of demand and commitment we have from our customers.

Finally, our booking continues to be strong for the quarter, and as such, our visibility now extends into Q1 of 2004, an achievement we believe is unmatched in the industry. Because of this increased visibility, UTStarcom is again raising guidance for the year. Mike will discuss the details of the guidance later in the call.

I would like to highlight some examples of UTStarcom's continued strength in China as well as discuss the significant momentum and opportunity we see on a global basis. China remains the largest and one of the fastest-growing telecom markets in the world. GDP growth is expected to remain about 7% for the next several years, and spending and telecommunication will continue to be a major focus.

During the quarter, we added record 3.2 million subscribers to UTStarcom's PAS networks bringing our total numbers of subscribers to 12.5 million at the end of Q2. This represents around 60% of a total approximately 20 million PAS subscribers in China at the end of the quarter as well as overall 43% of a total fixed line ads in all China. Currently in China, it is estimated that there will be between 25 and 30 million PAS subscribers by the end of 2003. This compares to 12 million at the end of 2002.

UTStarcom also successfully moved into the Metro PAS market with Beijing China Netcom, who launched their service on May 17th. Initial targets were large corporate users such as government institutions, hospitals and universities. Once deployment is complete, PAS will be available to be everybody's consumers in all (inaudible), a proper as well as (inaudible) county level cities.

UTStarcom also expanded on our first major shipment of IP DSLAM equipment throughout China signing
Our cash and short-term investment balance at the end of Q2 was 281.3 million. That is compared to 604.1 million at the end of the first-quarter of 2003. This difference can be attributed to three factors: One, operating cash flow for the quarter was -83 million due to the (inaudible) of the business levels, reflecting increased demand for our products. Two, 139.6 million inclusive of fees was used for the repurchase and retirement of 8 million shares of Softbank at a price of $17.39 per share. We closed the (inaudible) acquisition also in the amount of $100 million.

During the quarter, we collected a record 751 million in cash, which is reflected in both receivables and deferred revenues and compares to our forecast of 600 million in collections. UTStarcom is especially pleased with this accomplishment as we believe it's indicative of the strength of the partnerships we have with our customers. For Q3 and the balance of the year, we are projecting to be cash flow positive from operations.

Accounts Receivable days sales outstanding continued to improve and set an all-time record of 58 days for the second quarter of 2003. That is compared to 80 million for the second quarter in 2002 and compared with 70 days at the end of Q1 2003.

Our first quarter conference call when I gave inventory guidance for Q2, I said that if business continued to stay strong and inventory increased, there would also be a corresponding increase in the revenue and earnings guidance. Q2 inventories and guidance have come in consistently with that statement.

In Q2, our inventory increased to 1.1 billion as a result of the continued strong growth in our business and customer demand for the products. Inventory turns came in at 1.1. As I mentioned, our book-to-bill ratio was partially 1.4 for the quarter. The vast majority of our net inventory, approximately 72%, is deployed in the field of the customer locations waiting final acceptance.

Going forward, we anticipate the following with our inventory. The majority of our inventory that is currently at customer locations will achieve final acceptance in Q3 and Q4 driving revenues and profits. Inventories will remain level in Q3 and Q4, and inventory turns will improve significantly as our revenues continue to ramp. In 2004, we plan to continue to improve inventory turnover and will continue to focus on inventory efficiencies.

Prepaid expenses increased 139.4 million compared with 87.1 million at the end of Q1. The increase in prepaid expenses was mainly the result of an increase in VAT tax receivable incentives associated with our purchases of inventory. Customer advances reflected in deferred revenue increased to 518.6 million compared to 243.6 million at the end of Q1. These balances represent cash the Company has collected from our customers but not yet recognized as revenue. The increase in customer advances can be viewed as an offset to the inventory (inaudible) financial statements. The cash we are collecting continues to fund our inventory growth. As you can see by looking at the balance sheet, UTStarcom has been able to successfully manage the growth of the business and effectively collect cash from our customers.

Guidance going forward. We continue to see the strength and growing demand across all product lines, both in mainland China and globally. UTStarcom is again raising revenue guidance for both Q3 and the full year 2003. For the third quarter 2003, we estimate our revenues will be in the range of 495 to 505 million. For the full year, we are also raising our revenue guidance to approximately 1.8 to 1.82 billion, an increase of approximately 85% over 2002 and compared to the 1.65 to 1.7 billion guidance we gave in April.

In 2003, we expected about 75 to 80% of revenues will come from mainland China, and 20 to 25% will come from our global markets. Major markets outside of mainland China include Japan, India, Southeast Asia and Latin America. We have also broken out anticipated 2003 revenues per product type. Wireline systems, for example, will represent about 20% of sales. This reflects extremely strong growth in our broadband ADSL, Next Generation (inaudible) carriers, Metro applications, voiceover IP gateways and Class 4 and 5 switches. Handsets will account for approximately 45 to 50% of revenues, reflecting extremely strong subscriber demand throughout China.

Due to the continued expansion and performance of PAS networks in China and in global markets, total revenue from wireless systems will be around 35%. Each of these (inaudible) metrics can fluctuate plus or minus 5%. Our gross margins as a percentage of revenue for Q2 was approximately 34%. Given the anticipated mix shift to handsets, increased ramp-up cost activities in global markets in (inaudible) and competitive landscape, we are targeting gross margin as a percentage of revenue for the full year 2003 continue to stay at the current levels, plus or minus a few tenths of a percent.
EARL LUM: Yes, you did. Thank you very much.

MICHAEL SOPHIE: We want to thank everybody for joining the call today, and I will turn it back over to Colin to give everybody dial-in information if they want to get a replay.

OPERATOR: Ladies and gentlemen, this conference will be available for replay after 5:00 PM Pacific today through July 24th, 2003 ending at 11:59 PM. You may access the AT&T conference replay system at any time by dialing 1-800-475-6701 and entering the access code 691171. International participants please dial area code 320-365-3844.

That does conclude our conference for today. Thank you for your participation and for using AT&T executive teleconference. You may now disconnect.

(CONFERENCE CALL CONCLUDED)

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In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies’ most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

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UTStarcom Reiterates Continued Strength in Business and Positive Outlook

Company to Conduct Conference Call at 2:00 p.m. (EDT) to Discuss Recent Concerns and Take Investor Questions

ALAMEDA, Calif., Sep 25, 2003 /PRNewswire-FirstCall via COMTEX/ --

UTStarcom Inc., (Nasdaq: UTSI), a leading global provider of wireless and wireline access and IP switching solutions, today announced its intention to conduct a conference call with investors at 2:00 p.m. EDT to reiterate the company's continued confidence in the strength of its business and discuss recent investor concerns.

CEO Hong Lu and CFO Mike Sophie will speak on the call to reiterate the strength of the company's outlook as it was last reported on July 17, 2003 when UTStarcom announced second quarter 2003 earnings results.

"We continue to see strength and growth in infrastructure spending in China and internationally across all product lines," said Lu. "So far this quarter, we have already announced more than $175 million in new and expansion contracts in China, as well as key new contracts outside of Mainland China. Our outlook and visibility have grown each consecutive quarter this year, and UTStarcom continues to be focused on the future with much confidence."

Conference Call

The company will conduct a conference call, which is open to the public, at 2:00 p.m. (EDT) today, Thursday, September 25. The conference call dial-in numbers are as follows: United States -- 800-611-1147; International -- 612-288-0340.

A replay of the call will be available from approximately 8:00 p.m. (EDT) on September 25 to 11:59 p.m. (EDT) on October 1. The conference call replay numbers are as follows: United States -- 800-475-6701; International -- 320-365-3844. The Access Code is 700247.

Investors will also have the opportunity to listen to the conference call and the replay over the Internet through UTStarcom's Web site at: http://www.utstar.com

To listen to the live call, please go to the Web site at least 15 minutes early to register, and to download and install any necessary audio software. For those who cannot listen to the live broadcast, a replay will also be available on this site.

Financial Guidance

Guidance given on July 17, 2003 for the current fiscal quarter and year is as follows:

Revenue Range: 
Q3 03: $495-$505 million
FY 03: $1.8-$1.82 billion

GAAP EPS Range: 
Q3 03: $0.42-$0.43
FY 03: $1.55-$1.56

The company will be releasing third quarter 2003 earnings on Thursday, October 23, 2003 after the close of the market.

About UTStarcom, Inc.

Founded in 1991 and headquartered in Alameda, California, UTStarcom is a leading global provider of wireless and wireline access and IP switching solutions. The company designs, manufactures, sells, and installs an integrated suite of future-ready access network and next-
generation switching solutions. We enable wireless and wireline operators in fast-growth markets worldwide to offer voice, data, and Internet access services rapidly and cost effectively by utilizing their existing infrastructure.

UTStarcom's products provide a seamless migration from wireline to wireless, from narrowband to broadband, and from circuit- to packet-based networks by employing "Next Generation Network Technology. Now." The company's customers include public telecommunications service providers that operate wireless and wireline voice and data networks in rapidly growing communications markets around the world.

For more information about UTStarcom, visit the company's Web site at www.utstar.com.

SOURCE UTStarcom Inc.

Michael J. Sophie, Vice President of Finance, CFO,
+1-510-749-1510, or Chesa Kamieniecki, Investor Relations Manager,
+1-510-749-1560, both of UTStarcom Inc.

http://www.utstar.com

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News Provided by COMTEX
EXHIBIT 28
OPERATOR: Ladies and gentlemen, thank you for standing by. Welcome to the UTStarcom Quarter Update Conference Call. At this time, all participants are in a listen only mode. Later we will conduct a question-and-answer session. Instructions will be given at that time. (Caller instructions.) As a reminder, this conference is being recorded. I would now like to turn the conference over to your host, Mr. Mike Sophie. Please go ahead.

MICHAEL SOPHIE, VP FINANCE, CFO AND ASSISTANT SECRETARY, UTSI: Thank you. Good morning everybody, and welcome to UTStarcom's Interim Third Quarter 2003 Conference Call. I'm going to be pleased to introduce Hong Lu, our CEO. And for those that don't know me, again, I'm the Chief Financial Officer for the company, Mike Sophie.

Hong is going to begin the call here with providing an update on the quarter and some of the highlights. And then I will then take the call again and comment briefly on financially. And then we'll also open up the call for questions and answers. Before we begin the call, I'd like to remind everyone that some of the information we'll discuss today constitutes forward-looking statements. Actual results could differ materially from our current expectations.

To understand the risks that could cause results to differ, please refer to the risk factors identified in our latest Annual Report on Form 10-K, and our Quarterly Report on Form 10-Q, which are filed with the Securities and Exchange Commission. With that, I will now turn the call over to Hong.

HONG LU, CHAIRMAN OF THE BOARD, PRESIDENT AND CEO, UTSI: Good morning, and thank you for joining our conference on such a short notice. The purpose of today's call is to reiterate the strength in the business, as we stated in the guidance we have gave on our Q2 earnings call in July. In addition, we would like to address some recent investors' concern, to clarify our position.

First, let's address the 3G. They're having a lot of news reports regarding when China is going to award the 3G licenses. And, based on our conversation with our regulatory authorities in China, UTStarcom believes that the earliest license for the issue in China will occur in the second quarter of 2004. After that, operators in China will each need to run field trials for about one year. And therefore, we do not anticipate seeing meaningful commercial contracts for 3G in China until the 2005 timeframe.

UTStarcom is fully expected to be the significant supplier of 3G networks in China. We are participating in government lab trials, and have received positive reports on our progress. UTStarcom will be launching full scale field trials towards the end of 2003. The company will also be doing a full product demo at the PT Wireless Trade Show in Beijing in November.

In addition, UTStarcom believes that 3G will serve a completely different market segment than PAS. 3G will be targeted for the high-end users. PAS will continue to deploy to meet the demand of the majority of the market in China that only wants to pay $7-10 a month for phone services. And PAS will expand in subs growth for the middle income consumers in China. The target is for 30 million subscribers by the end of 2003, and over 50 million by the end of 2004.

Now, regarding the PAS, UTStarcom continues to see the strong demand across China for our PAS solutions. Both China Netcom and China Telecom have reiterated that PAS is the long-term solution that meets the need of the consumer as an extension of their fixed line services. In fact, both operators are currently standardizing all networks, based on our PAS value added services platform.

As announced in yesterday's press release, subscriber additions are accelerating, which is reflecting the strong consumer demand. We also have announced the $30 million contract with China Telecom to expand our network
OPERATOR: Thank you ladies and gentlemen. (Caller instructions.) That does conclude our conference for today. Thank you for your participation. You may now disconnect.

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UTStarcom Growth in China Exceeds Expectations - PAS Subscribers Driving Increased Handset Revenues

Company Raises Third Quarter and Full-Year 2003 Revenue and Earnings Expectations
Accelerated Subscriber Demand Continues to Drive Long-Term Sustainable Growth For PAS in China

ALAMEDA, Calif., Oct 1, 2003 /PRNewswire-FirstCall via COMTEX/ --

UTStarcom, Inc. (Nasdaq: UTSI), a leading global provider of wireless and wireline access and IP switching solutions, today announced that as a result of PAS subscriber additions in China continuing to exceed expectations, the company is raising its revenue and earnings forecast for the third quarter and full-year 2003. In addition, UTStarcom reiterates that bookings continue to be strong, with a book-to-bill ratio above one, and backlog will also grow. The company will also be cash-flow positive for the quarter.

Handset units shipped in the third quarter are anticipated to be approximately 5.0 million, up from the original target of 4.5 million given last week. PAS subscribers on UTStarcom’s networks are anticipated to exceed previous expectations and approach 16.5 million by September 30, 2003.

“For the second time this year, UTStarcom is in the favorable position of raising interim guidance for the third quarter and full-year. We are making important progress in our global markets, but the tremendous subscriber demand for our core PAS systems and handsets in China continues to outstrip even our internal expectations,” said Mike Sophie, chief financial officer of UTStarcom, Inc. “For our operators, China Telecom and China Netcom, PAS is the key driver of revenues and profitability; this is evidenced by the fact that now over 43 percent of fixed-line additions in China are under PAS.”

“At the same time, we are seeing significant traction and maintaining our leadership positions in the global DSLAM, softswitch, and media gateway markets,” Sophie continued. “I am pleased to raise our revenue and EPS guidance for both the third quarter and full-year of 2003.”

Increased Guidance

Q3 Revenues:
- Revenues for the third quarter will be in the $570-$580 million range. This compares to previous guidance of $495-$505 million given on the second quarter earnings conference call.

Q3 GM%:
- As a result of continued increasing subscriber growth, handset revenues will increase as a percentage of the overall revenue mix, from 45% in Q2 to 57% in Q3; gross margins for the quarter will be in the 32% range, as compared to 34% given on the second quarter earnings conference call.

Q3 GAAP EPS:
- UTStarcom is also raising its GAAP earnings per share guidance to $0.44-$0.45 for the third quarter. This compares to previous guidance of $0.42-$0.43 given on the second quarter earnings conference call.

FY 2003 Revenues:
- Revised Full-Year 2003 revenues will be in the $1.93-$1.94 billion range. This compares to previous guidance given of $1.8-$1.82 billion.

FY 2003 GAAP EPS
- GAAP earnings per share will be $1.59-$1.60, as compared to $1.55-$1.56 given in the second quarter conference call.

The balance sheet is expected to be equally strong in the quarter. The company anticipates positive cash-flow and lower inventories with improved inventory turns for the quarter.

Given this is an interim guidance increase, more detailed information will be provided on the third quarter...
2003 earnings conference call. The company has entered into a quiet period as of October 1, 2003 and will not be making any further comments on the quarter until earnings on Thursday, October 23, 2003. UTStarcom will give first-time guidance for 2004 on the third quarter conference call but reiterates the belief that long-term revenue and EPS growth rate will be 20-25 percent.

About UTStarcom, Inc.

Founded in 1991 and headquartered in Alameda, California, UTStarcom is a leading global provider of wireless and wireline access and IP switching solutions. The company designs, manufactures, sells, and installs an integrated suite of future-ready access network and next-generation switching solutions. We enable wireless and wireline operators in fast-growth markets worldwide to offer voice, data, and Internet access services rapidly and cost effectively by utilizing their existing infrastructure.

UTStarcom's products provide a seamless migration from wireline to wireless, from narrowband to broadband, and from circuit- to packet-based networks by employing Next Generation Network Technology. Now. The company's customers include public telecommunications service providers that operate wireless and wireline voice and data networks in rapidly growing communications markets around the world.

For more information about UTStarcom, visit the company's Web site at www.utstar.com.

Forward-Looking Statements

This release contains statements that are forward-looking in nature, including statements regarding guidance for revenue and earnings per share for the third quarter and full-year of 2003, and are therefore subject to the risks and uncertainties that may cause actual results to differ materially. These risk factors include rapidly changing technology, the changing nature of China's telecommunications markets, possible delays in the system deployments or product introductions, possible downturns in the telecommunications markets in China and worldwide, the termination of new contracts, partnerships or alliances, reductions or potential cancellation or non-recognition of backlog and other uncertainties, such as changes in government regulation and licensing requirements in China. The Company also refers readers to the risk factors identified in its Annual Report on Form 10-K, its Quarterly Reports on Forms 10-Q and its Current Reports on Form 8-K, as filed with the Securities and Exchange Commission.

SOURCE UTStarcom, Inc.

Michael J. Sophie, Vice President of Finance, CFO, +1-510-749-1510, or Chesha Kamieniecki, Investor Relations Manager, +1-510-749-1560, both of UTStarcom, Inc.

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http://www.utstar.com

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News Provided by COMTEX
EXHIBIT 30
UTStarcom Q3 2003 Financial Results: Company Delivers Fifteenth Quarter Of Record Revenues and Earnings

120 Percent Year-Over-Year and 44 Percent Sequential Revenue Growth; Positive Cash Flow From Operations and Improved Balance Sheet Metrics Mark the Best Quarter in the Company’s History Company Once Again Brings Up Full-Year 2003 Guidance and Gives First Time Guidance for 2004

ALAMEDA, Calif., Oct 23, 2003 /PRNewswire-FirstCall via Comtex/ -- UTStarcom, Inc. (Nasdaq: UTSI), a leading global provider of wireless and wireline access and IP switching solutions, today reported record revenues and earnings for its third quarter ended September 30, 2003. UTStarcom will conduct a conference call today, Thursday, October 23, 2003 at 1:30 p.m. PDT to discuss these results. (Please see Conference Call section below for dial-in numbers.)

"Once again UTStarcom has delivered excellent results in the quarter due to the strength in our core PAS business and record handset revenues," said Hong Lu, chief executive officer of UTStarcom. "In addition, our product leadership in IP-DSLAM, softswitch, media gateways, and CDMA/PDSN makes us well-positioned to take full advantage of worldwide market opportunities over the long-term with a strong pipeline of innovations in IP broadband and 3G wireless technologies."

Net sales for the third quarter of 2003 increased to $584.4 million, a sequential increase of 44 percent over the $405.8 million in net sales reported in the previous quarter and a 120 percent increase over the $265.5 million in net sales reported in the third quarter of 2002.

Net income for the third quarter of 2003 increased 92 percent year-over-year to $59.1 million, or $0.46 per share, compared to net income of $30.8 million, or $0.27 per share, for the third quarter of 2002.

"We are extremely proud of our consistent financial performance of exceeding guidance for 15 consecutive quarters," said Mike Sophie, chief financial officer of UTStarcom Inc. "We are especially delighted with our positive cash flow from operations of $163 million for the quarter. This shows that we can grow our company very successfully in strategic markets, and can also efficiently manage that growth to optimize our financial visibility and strength."

2003 Guidance:
Q4 Revenues:
-- Revenues for the fourth quarter will be in the $635-$640 million range.

Q4 GAAP EPS:
-- GAAP earnings per share for the fourth quarter is targeted at $0.50.

FY 2003 Revenues:
-- Full-Year 2003 revenues will be in the range of $1.96-$1.97 billion.

FY 2003 GAAP EPS
-- GAAP earnings per share for the full-year 2003 will range from $1.61-$1.62.

2004 Guidance:
Q1 Revenues:
-- Revenues for the first quarter will be in the $570-$580 million range.
  With 6%-8% anticipated sequential increase targeted each quarter for the balance of the year.

Q1 GAAP EPS:
-- GAAP earnings per share guidance for the first quarter will range from $0.35-$0.36.

FY 2004 Revenues:
-- Full-Year 2004 revenues will be in the range of $2.4-$2.5 billion.

FY 2004 GAAP EPS
-- Full-Year 2004 GAAP earnings per share will range from $1.92-$1.95.
Key Highlights for Q3 2003
Stellar Financial Performance
- Record quarterly revenues of $584.4 million, 120 percent year-over-year and 44 percent sequential growth
- GAAP EPS $0.46, 69 percent year-over-year and 38 percent sequential growth
- Announced more than $275 million in contracts in the third quarter
- Logged 15th consecutive quarter exceeding guidance for revenues and EPS since March 2000 IPO
- Generated $163 million in positive cash-flow from operations for the quarter
- Record low DSO's (Day Sales Outstanding) 48 days

Global Leadership
- In China, the number of subscribers on UTStarcom's PAS networks reached 16.7 million at the end of Q3 and total PAS subscribers in China are expected to be approximately 30 million by the end of 2003.
- PAS handset shipments were approximately five million units in third quarter, a record high for the company
- Subscriber base for Yahoo! BB in Japan continues to grow, with more than 3.2 million people subscribed for broadband service and approximately three million for the BB Phone service. BB Phone presently has the largest number of users among domestic IP telephone service providers in Japan

Strategic International Expansion
- Announced strategic partnership with NEC to provide broadband solutions in Brazil
- Deployed IP-based PAS solution with Asia Wireless Communications in Bangkok, Thailand
- Signed first contract in Africa with Sotelma in Mali for iPAS

Sustained Market Strength
- #1 in worldwide Softswitch market for Q2 2003 (Infonetics Research)
- #1 in worldwide PAS market with more than 17.5 million users worldwide, continue to hold 60 percent market share in China
- #2 in worldwide DSLAM market for Q2 2003 (Infonetics Research, Synergy Research Group)
- #1 in worldwide IP-DSLAM market with a 62 percent market share for Q2 2003 (Infonetics Research)
- #1 in worldwide ports shipped, Q3 2003, Media Gateways (Infonetics Research)

Conference Call
The company will conduct a conference call, which is open to the public, to discuss these results. The call will take place at 1:30 p.m. (PDT) today, October 23. The conference call dial-in numbers are as follows: United States -- 888-398-3046; International -- 706-634-2492.

A replay of the call will be available from approximately 5:00 p.m. (PDT) on October 23, 2003 to 11:59 p.m. (PDT) on October 30, 2003. The conference call replay numbers are as follows: United States -- 800-642-1687; International -- 706-645-99291. The Access Code is 3176681.

Investors will also have the opportunity to listen to the conference call and the replay over the Internet through UTStarcom's Web site at: http://www.utstar.com

To listen to the live call, please go to the Web site at least 15 minutes early to register, and to download and install any necessary audio software. For those who cannot listen to the live broadcast, a replay will also be available on this site.

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For more information about UTStarcom, visit the company’s Web site at www.utstar.com.

Forward-Looking Statements

This release includes forward-looking statements, including the foregoing statements regarding continued strength of the Company’s business in China and in international markets as well as across product lines, the Company’s ability to replicate its success in China in international markets, the guidance given for anticipated revenue and earnings per share for the fourth quarter and full-year of 2003, as well as the first quarter and full-year 2004. These statements are forward-looking in nature and subject to risks and uncertainties that may cause actual results to differ materially. These risk factors include rapidly changing technology, the changing nature of global telecommunications markets, particularly in China, the termination of significant contracts, the direction and results of future research and development efforts, evolving product and applications standards, reduction or delays in system deployments, product transitions, potential non-realization of backlog, changes in demand for and acceptance of the Company’s products, general adverse economic conditions, and trends and uncertainties such as changes in government regulation and licensing requirements, particularly in China. The Company also refers readers to the risk factors identified in its latest Registration Statement on Form S-3, its Annual Report on Form 10-K, and its Quarterly Reports on Form 10-Q as filed with the Securities and Exchange Commission.

UTStarcom, Inc.
Consolidated Balance Sheets
(In thousands)
(Unaudited)

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<th>December 31, 2002</th>
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<tr>
<td><strong>ASSETS</strong></td>
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<td>Current assets</td>
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<td>Other current assets</td>
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<td>Property, plant and</td>
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<td>equipment, net</td>
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<td>Long-term investments</td>
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<td>Goodwill and intangible</td>
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<td>assets, net</td>
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<td>Other long-term assets</td>
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<td>Total assets</td>
<td>$2,377,074</td>
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<tr>
<th><strong>LIABILITIES AND STOCKHOLDERS’ EQUITY</strong></th>
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<td>Current liabilities:</td>
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<td>Accounts payable</td>
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<td>Debt</td>
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<td>Income taxes payable</td>
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<td>Deferred revenue</td>
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<td>Other</td>
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<td>Total current liabilities</td>
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<td>Long-term debt</td>
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Minority interest in consolidated subsidiaries
Total liabilities 1,584,027 539,157

Stockholders' equity:
Common stock 130 135
Additional paid-in capital 537,930 658,546
Deferred stock compensation (8,916) (11,766)
Retained earnings 163,422 120,520
Receivable from stockholders (284) (282)
Other comprehensive income (loss) 735 (786)
Total stockholders' equity 793,047 766,395

Total liabilities and stockholders' equity $2,377,074 $1,305,552

September 30, December 31,
2003 2002
(unaudited)

Inventories are made up of the following:

Inventories at factories $273,737 $132,735
Inventories at customer locations 706,073 291,931

$979,810 $424,666

UTStarcom, Inc.
Consolidated Statements of Operations
(In thousands, except per share amounts)
(unaudited)

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<tr>
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<td>2003 2002</td>
<td>2003 2002</td>
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<td>Net sales</td>
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<td>Gross profit</td>
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<td>Operating expenses:</td>
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<tr>
<td>Selling, general and</td>
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<tr>
<td>administrative</td>
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<td>In process research and development</td>
<td>161</td>
<td>10,809</td>
</tr>
<tr>
<td>Amortization of intangible assets</td>
<td>3,081</td>
<td>5,259</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>105,335</td>
<td>253,598</td>
</tr>
<tr>
<td>Operating income</td>
<td>80,766</td>
<td>182,693</td>
</tr>
<tr>
<td>Interest and other income (expenses)</td>
<td>(306)</td>
<td>2,827</td>
</tr>
<tr>
<td>Equity in loss of affiliated companies</td>
<td>(1,560)</td>
<td>(4,280)</td>
</tr>
<tr>
<td>Income before income taxes and minority interest</td>
<td>78,900</td>
<td>181,240</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>19,725</td>
<td>45,310</td>
</tr>
<tr>
<td>Minority interest in earnings of consolidated subsidiaries</td>
<td>(35)</td>
<td>(35)</td>
</tr>
<tr>
<td>Net income</td>
<td>$59,140</td>
<td>$135,895</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic earnings per share</td>
<td>$0.58</td>
<td>$0.28</td>
<td>$1.31</td>
<td>$0.67</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>$0.46</td>
<td>$0.27</td>
<td>$1.08</td>
<td>$0.64</td>
</tr>
</tbody>
</table>

Weighted average shares used in per-share calculation:

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<tr>
<th></th>
<th>2003</th>
<th>2002</th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic</td>
<td>102,814</td>
<td>109,776</td>
<td>103,607</td>
<td>110,459</td>
</tr>
<tr>
<td>Diluted</td>
<td>131,914</td>
<td>113,508</td>
<td>127,532</td>
<td>115,716</td>
</tr>
</tbody>
</table>

Three months ended Sept. 30, 2003  
Nine months ended Sept. 30, 2002

1. The above unaudited financial statements include the following non-cash expenses:

| Cost of Sales              | $2    | $4    | $7    | $17   |
| Selling, general and administrative | 39    | 261   | 225   | 1,052 |
| Research and development   | 121   | 231   | 3,065 | 1,286 |
| Total stock compensation expense | $162  | $496  | $3,237 | $2,355 |

Amortization of intangible assets

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$3,081</td>
<td>$631</td>
<td>$5,259</td>
<td>$1,764</td>
</tr>
</tbody>
</table>

In-process research and development

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$161</td>
<td>$--</td>
<td>$10,009</td>
<td>$670</td>
</tr>
</tbody>
</table>

Impairment in investment portfolio

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$157</td>
<td>$1,734</td>
<td>$380</td>
<td>$2,824</td>
</tr>
</tbody>
</table>

2. Earnings per share

| Basic earnings per share | Income available to common stockholders | Effect of Dilutive Securities  
7/8% Convertible Subordinated Notes | Diluted earnings per share | Income available to common stockholders + assumed conversions |
<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$59,110</td>
<td>$30,749</td>
<td>$135,895</td>
<td>$74,010</td>
<td>$60,238</td>
</tr>
</tbody>
</table>

SOURCE UTStarcom, Inc.

Photo : NewsCom: http://www.newscm.com/cgi-bin/prnh/20001101/UTSILLOG

Michael J. Sophie, Vice President of Finance, CFO, +1-510-749-1510, or Chesha E. Kamieniecki, Investor Relations Manager, +1-510-749-1560, both of UTStarcom, Inc.; or press, Stephanie Gallagher of Engage PR, +1-510-748-8200, ext. 213, or stephanie@engagepr.com, for UTStarcom, Inc.

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News Provided by COMTEX
OPERATOR: Good afternoon. My name is Brandy and I will be your conference facilitator today. At this time I would like to welcome everyone to the UTStarcom third quarter 2003 earnings conference. All lines have been placed on mute to prevent any background noise. After the speakers’ remarks, there will be a question-and-answer period. If you would like to ask a question during this time, simply press star, then the number one, on your telephone key pad. If you would like to withdraw your question, press star, then the number two, on your telephone key pad. Thank you. Ms. Kamieniecki, you may begin your conference.

CHESHA KAMIENIECKI, IR, UTSTARCOM: Thank you. Good afternoon. And welcome to UTStarcom 2003 third quarter earnings conference call. I’m pleased to introduce our CEO Hong Lu and our CFO Mike Sophie who will host the call.

Hong will begin by providing an overview and key highlights for the quarter. Then he will turn the call over to Mike who will give a detailed financial review of the company and provide first-time guidance for 2004. In addition, as part of our program to continually introduce some of the knowledgeable and experienced members of the management team to the financial community, we will then have some strategic comments from Jerry Soloway our Senior Vice President of engineering on areas of focus for the Company in 2004. Jerry has been with UTStarcom since 1998 and spent 29 years in several executive positions with Bell Labs. Jerry holds a Ph.D. in electrical engineering from Poly Technical Institute in New York and we are pleased to have him on the call today.

Afterwards we’ll turn the call over for Q&A. Before we begin the call, I would like to remind everyone that some of the information given today constitute forward-looking statements. Actual results could deliver materially from our current expectations. To understand the risks that could call results to differ, please refer to the risk factors identified in our latest annual report on Form 10-K and our quarterly reports on Form 10-Q which are filed with the Securities and Exchange Commission. With that, I will turn the call over to Hong. Hong?

HONG LU, CHAIRMAN, PRESIDENT, & CEO, UTSTARCOM: Thank you. Good afternoon. Thanks for joining us today. I am happy to announce to our shareholders another quarter of record results for UTStarcom. We have achieved our goal to create a global multibillion dollar telecommunications company. There are four key components that enable our success. One, continued innovation and market leadership in telecom technology. Two, the ability to capitalize on the tremendous opportunity in growth on a global basis. Number three, sustained growth in mainland China in both PAS and other product lines. Finally, a consistent record of a strong financial performance.

First our financial success. Once again, UTStarcom delivered a record quarter in both revenue and profits based on continued strong demand for our product. In addition, inventory came down, while revenue grew significantly. Inventory returns were up and DSOs hit another all-time low. We are also cash flow positive for the quarter. Finally, our bookings remain strong for the quarter and our visibility now extends well into 2004. We believe these are the significant achievements for the Company.

Now I would like to highlight some examples of UTStarcom’s strength in China. During the quarter, we added a record 4.2 million subscribers to UTStarcom PAS network, a 30% sequential increase over Q2. By the end of Q3, our total PAS subscribers in China reached 6.7 million. Our market share represents about 60% of the total 28 million PAS subscribers in China at the end of the quarter.

PAS continues to be the key revenue driver for both China Telecom and China netcom, representing over 58% of the total fixed line in China in July and August, compared to approximately 43% in the first half of 2003. The market potential to serve new PAS subscribers is growing. It is estimated there will be more than 30 million PAS subscribers in China by the end of 2003, an enormous increase from the 12 million at the end of 2002. This is
talk, and PDA messaging. Finally, we continue to advance our PAS product offerings and maintain our competitive advantage over similar wireless technologies.

Some of the key advantages to the operators include, one, frequency and license. Each country may differ, but in most countries PAS freaktics are generally available to operators and less expensive to acquire. Second, infrastructure. Our past deployments utilize a high core IP network ... Additional services in the future. The Pas infrastructure continues to have cost advantages over other technologies due to its low power radio technology and ability to support very high user density. As many of you may be aware, we can deploy in volume for under $50 per PAS subscriber. Third, handsets. We continue to advance our handset development and offer a greater variety of handsets to the end users. The basic voice handset is now selling under $50, while the high-end models will sell for hundreds of models providing integrated camera, etc. All new handset mod models support instant messaging which is popular these days.

There are many other projects ongoing, but let me conclude by saying that as we continue to grow our product line, we are pursuing aggressive cost reduction programs. We have always prided ourselves on the price performance of our products. In these days of increasing margin pressure, we will continue to provide cost-effective solutions that bring extra value to our customers. Now I'd like to turn the call back over to Mike.

MIKE SOPHIE: Thank you, Jerry. Finally before I turn to the Q&A, I would like to take a moment to address recent investor questions. Stock split. In late July and early August our stock was trading in $40 range and we announced our intention to move forward with a two-for-one stock split. This required a two step process. Step one was increasing the total number of authorized shares to allow a split to occur. This was approved by the shareholders on September 24th. Step two would be for the board of directors to authorize a split.

Currently our stock is trading in the mid 30s, and we would like to see the stock appreciate before moving ahead with the split. We will continue to monitor the situation and have a desire to move forward as we believe a stock split reflects our optimism and positive outlook for the Company. We will update shareholders as the situation changes.

Shelf registration and offering. Also in July we filed a $500 million universal shelf registration. This has raised investor concerns on our need to raise cash. As you can see with the Q3 results, the Company was cash flow positive for the quarter and has over 440 million of cash on the balance sheet. We do not currently anticipate any need to raise money to fund operations. The shelf registration was filed to give the Company flexibility in the future if strategic opportunities presented themselves, that were in the best interests of the Company and our shareholders.

Finally, why we did not raise guidance on the September 25th call. We released our preliminary results on October 1st and some investors wanted to know why we didn't change our guidance on the conference call that we conducted September 25. On September 25th, we had a week left in the quarter to go and wanted to make sure that our numbers were in place and all final acceptances needed to recognize revenue were received. We are very aware that there are funds that have a vested short interest in the stock and have created and perpetuated rumors to support their short cause. UTStarcom does not want to be distracted from successfully running the business and being forced to respond to rumors and be forced to reannounce results on a time frame other than one in which we are comfortable.

We have established a track record on delivering on performance and knowledge of our markets. We will continue to run the business consistently and conservatively, as we believe it is ultimately the best for our customers and our shareholders. We welcome any questions you may have regarding China or any other aspects of our business. With that I would like to turn the call over to Q&A.

HONG LU: Operator, I have one correction. Earlier our total subscribers in China is 16.7 million instead of 6.7 million. I think I had made a mistake, so I just wanted to correct it, 16.7 million instead of 6.7. So, operator, can you open the call over to Q&A.

OPERATOR: Yes, sir. At this time I would like to remind everyone, in order to ask a question, please press star, then the number one, on your telephone key paddle. We'll pause for -- key pad. We'll pause for a moment to compile the Q&A roster.

OPERATOR: Your first question is from Dale Pfau of CIBC World Markets.
please let us know. And thank you very much.

MIKE SOPHIE: Thank you.

OPERATOR: Thank you for participating in today's teleconference. You may now all disconnect.

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UTStarcom Announces Preliminary Q4 2003 Results

Company to Report Fourth Quarter and Full-Year 2003 Earnings on January 22, 2004

ALAMEDA, Calif., Jan 08, 2004 /PRNewswire-FirstCall via Comtex/ -- UTStarcom, Inc. (Nasdaq: UTSI), a global leader in IP access networking and services, today released preliminary Q4 2003 financial results.

The Company is currently in the process of its year-end audit, but anticipates the following Q4 results:

- Revenues of $640-$645 million versus previous guidance of $630-$640 million.
- GAAP Earnings per Share of $0.50-$0.51 versus previous guidance of $0.49-$0.50.


About UTStarcom, Inc.

UTStarcom is a global leader in IP access networking solutions and international service and support. The company sells its wireline, wireless, optical and switching solutions to operators in both fast growth and established telecommunications markets around the world. UTStarcom enables its customers to rapidly deploy revenue-generating access services using their existing infrastructure, while providing a migration path to cost-efficient end-to-end IP networks. Founded in 1991 and headquartered in Alameda, California, the company has research and design operations in New Jersey, China, and India.

{Logo: http://www.newscom.com/cgi-bin/prnh/20031229/UTSLOGO}

Forward-Looking Statements

This announcement includes forward-looking statements. UTStarcom has based these forward-looking statements on its current expectations and projections about future events. Although UTStarcom believes that its assumptions made in connection with the forward-looking statements are reasonable, no assurances can be given that its assumptions and expectations will prove to have been correct. These forward-looking statements are subject to various risks, uncertainties and assumptions. UTStarcom undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this announcement might not occur.

SOURCE UTStarcom, Inc.

Photo: NewsCom: http://www.newscom.com/cgi-bin/prnh/20031229/UTSLOGO

Michael J. Sophie, Vice President of Finance, CFO, +1-510-749-1510, or Chesham Kamieniecki, Investor Relations Manager, +1-510-749-1560, both of UTStarcom, Inc.

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News Provided by COMTEX
EXHIBIT 33
UTStarcom Gives Updated 2004 Guidance

Company Raises Revenue and Net Income Guidance Gives Revised EPS Guidance Reflecting Impact of Equity Offering

ALAMEDA, Calif., Jan 09, 2004 /PRNewswire-FirstCall via Comtex/ -- UTStarcom, Inc. (Nasdaq: UTSI), a global leader in IP access networking and services, today revised its financial guidance for 2004, raising its revenue guidance, and reflecting the impact of the revised share calculation associated with the equity offering on GAAP Earnings Per Share.

"We are extremely pleased with our improved revenue and net income guidance and with the equity offering we announced yesterday," said Mike Sophie, chief financial officer of UTStarcom. "While there is some potential dilution associated with the offering, we are quite pleased that we are able to lessen the impact with healthier operating results. In addition, we hope to put the cash we raised to use throughout 2004 to create even more value for our shareholders."

Revised 2004 Guidance:
- Revenue of $2.5-$2.55 billion, an increase of $50-$100 million, versus previous guidance of $2.4-$2.5 billion
- Gross Margin guidance remains 30%-32%
- Increase in Operating Income of $15-$30 million
- Impact of the equity offering
  -- 12.1 million additional shares
  -- Interest income of $7 million
  -- $0.10 EPS dilution
- Increase in Net Income of $15-$25 million
- GAAP EPS guidance of $1.87-$1.92 versus previous guidance of $1.92-$1.95


About UTStarcom, Inc.

UTStarcom is a global leader in IP access networking solutions and international service and support. The company sells its wireline, wireless, optical and switching solutions to operators in both fast growth and established telecommunications markets around the world. UTStarcom enables its customers to rapidly deploy revenue-generating access services using their existing infrastructure, while providing a migration path to cost-efficient end-to-end IP networks. Founded in 1991 and headquartered in Alameda, California, the company has research and design operations in New Jersey, China, and India.

Forward-Looking Statements

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SOURCE UTStarcom, Inc.

Photo: NewsCom: http://www.newscom.com/cgi-bin/prnh/20031229/UTSLOGO

Michael J. Sophie, Vice President of Finance, CFO, +1-510-749-1510, or Chessa Kamieniecki, Investor Relations Manager, +1-510-749-1550, both of UTStarcom, Inc.
EXHIBIT 34
China Telecom Awards UTStarcom $200 Million Contract for PAS Infrastructure Equipment to Expand Fast-Growing Service in 12 Provinces

UTStarcom Among Leading U.S. Telecommunications Equipment Companies to Provide Telephone and Computer Technology to China's Major Operators

ALAMEDA, Calif., Jan 13, 2004 /PRNewswire-FirstCall via Comtex/ -- UTStarcom, Inc. (Nasdaq: UTSI), a global leader in IP access networking and services, today signed a new contract with China Telecom valued at $200 million for deployment of its Personal Access System (PAS™) infrastructure equipment in cities throughout twelve provinces in China. The contract was awarded during today's signing ceremony as a part of the weeklong U.S.-China Seminar on Prospects for Cooperation in Telecom and IT in Washington, D.C., led by China's Ministry of Information Industry (MII) Deputy Minister Lou Qinjian.

"This contract is another example of the consistent demand for UTStarcom's PAS solutions throughout China. This deployment of PAS equipment will continue to improve the coverage and quality of PAS services, which in turn should facilitate the long-term growth of PAS in China," said Ying Wu, chairman and chief executive officer of UTStarcom China, during today's ceremony in Washington, D.C. "As highlighted by this week's delegation, this contract also illustrates the positive economic relations between the U.S. and China."

This contract represents the continuation of a successful partnership between UTStarcom and one of China's largest fixed-line service providers, China Telecom. More than 20 million Chinese have subscribed for PAS service in China through China Telecom and China Netcom on networks powered by UTStarcom technology since 1998. Shipments on this contract will begin in the first quarter of 2004 to meet increased demand for high-quality voice and data services in twelve provinces throughout China, including Chongqing, Guangdong, Zhejiang, Jiangsu, and Sichuang.

PAS Wireless Access Solutions

UTStarcom's wireless network solutions enable a rapid network expansion and an easy migration from fixed to wireless networks, enabling service providers to offer wireless voice and data services within a city or community. Marketed as a low-cost investment option for wireless local telephone service, the PAS system features advanced voice and data services within a flexible network architecture that can be seamlessly integrated with future 3G and broadband technologies.

With deployments throughout Mainland China and Taiwan, Vietnam, Thailand, Africa, Latin America, and soon in the United States, UTStarcom is the leader in the worldwide PAS market.

About UTStarcom, Inc.

UTStarcom is a global leader in IP access networking solutions and international service and support. The company sells its wireline, wireless, optical and switching solutions to operators in both fast growth and established telecommunications markets around the world. UTStarcom enables its customers to rapidly deploy revenue-generating access services using their existing infrastructure, while providing a migration path to cost-efficient end-to-end IP networks. Founded in 1991 and headquartered in Alameda, California, the company has research and design operations in New Jersey, China, and India.

For more information about UTStarcom, visit the company's Web site at www.utstar.com.

Forward-Looking Statements

The foregoing statements regarding the continued consistent demand for UTStarcom's PAS solutions throughout China, expected improvements of coverage and quality of PAS services and the facilitation of the long term growth of PAS in China are forward-looking in nature and are therefore subject to the risks and uncertainties that may cause actual results to differ...
materially. These factors include rapidly changing technology, the changing nature of China's telecommunications markets, possible delays in the system deployments or product introductions, possible downturns in the telecommunications markets both in China, the termination of new contracts, partnerships or alliances, reductions or potential cancellation or non-recognition of backlog and uncertainties, such as changes in government regulation and licensing requirements in China. The Company also refers readers to the risk factors identified in its Annual Report on Form 10-K and its Quarterly Reports on Forms 10-Q as filed with the Securities and Exchange Commission.

SOURCE UTStarcom, Inc.

Photo: NewsCom: http://www.newscom.com/cgi-bin/prnh/20031229/UTSLOGO

Chesha Kamieniecki, Investor Relations Manager of UTStarcom, Inc., +1-510-749-1560; or media, Jeannette Bitz of Engage PR, +1-510-748-8200, ext. 207, or mobile, +1-510-599-5499, for UTStarcom, Inc.

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UTStarcom Fourth Quarter and Full-Year 2003 Results: Company Achieves Sixteenth Quarter of Record Revenues and Earnings

100 Percent Year-Over-Year Revenue Growth, Record Backlog of $1.06 Billion, and Positive Cash Flow from Operations Highlight the Best Quarter in UTStarcom's History

Company Raises GAAP EPS Guidance for First Quarter and Full-Year 2004

ALAMEDA, Calif., Jan 22, 2004 /PRNewswire-FirstCall via COMTEX/ -- UTStarcom, Inc. (Nasdaq: UTSI), a global leader in IP access networking and services, today reported record revenues and earnings for its fourth quarter and full-year ended December 31, 2003.

The company will conduct a conference call today, Thursday, January 22, to discuss these results. The call will take place at 1:30 p.m. PST. (Please see Conference Call section below for dial-in numbers.)

"It is my privilege to report record performance for UTStarcom for the fourth quarter and full-year 2003," said Hong Lu, chief executive officer of UTStarcom. "Our continued ability to deliver market-leading products to our customers and value to our shareholders is a testament to the strength of our technological innovation and dedication. UTStarcom continues to produce affordable, revenue-generating IP-based telecommunications and networking products for service providers around the world. Although our core business remains in China, UTStarcom serves customers in developing markets in Asia, Latin America and Africa, in addition to more established customers in North America and Europe."

Net sales for the fourth quarter of 2003 were $643.6 million, an increase of 114 percent over net sales of $301.1 million reported in the fourth quarter of 2002. Full-year net sales increased to $1.96 billion, an increase of 100 percent over net sales of $981.8 million reported in 2002.

Net income for the fourth quarter of 2003 was $66.4 million, or $0.52 per share, compared to net income of $33.9 million, or $0.30 per share, for the fourth quarter of 2002, an increase in net income of 96 percent year-over-year. Net income for the full-year 2003 was $202.3 million, or $1.64 per share, as compared to $107.9 million, or $0.94 per share, in 2002, representing an increase in net income of 87 percent year-over-year.

Operating cash flow from operations was positive $47.4 million for the fourth quarter and positive $50.0 million for the full-year 2003.

Backlog at the end of 2003 was $1.06 billion, an increase of 75 percent over the $605.4 million backlog reported at the end of 2002.

"The record year-end backlog of over $1 billion, combined with the announcement last week of a $200 million dollar contract with China Telecom, which is incremental to that backlog, gives us a tremendous amount of visibility in 2004," said Mike Sophie, senior vice president and chief financial officer of UTStarcom Inc. "In addition, handsets only represent approximately 11 percent of backlog, but are typically between 40 to 50 percent of revenues due to the book-and-ship nature of handset sales. Therefore we expect significant additional handset bookings and revenues throughout 2004 which increases our confidence in guidance. Finally, the cash that we raised in our recent equity offering puts us in a strong position to aggressively pursue strategic initiatives to increase shareholder value throughout 2004."

2004 Guidance:
Q1 Revenues:
-- Revenues for the first quarter are anticipated to be approximately $570-580 million. With 7-8% anticipated sequential increase targeted each quarter for the balance of the year.

Q1 GAAP EPS:
-- GAAP earnings per share for the first quarter is targeted at $0.36, inclusive of $0.03 dilution associated with the equity offering.
FY 2004 Revenues:

- Full-Year 2004 revenues are anticipated to be in the range of $2.5 to $2.55 Billion.

FY 2004 GAAP EPS

- GAAP earnings per share for the full-year 2004 is expected to be in the range of $1.90-$1.94, up from previous guidance given of $1.87-$1.92 on January 9, 2004.

Q4 2003 Highlights

Stellar Financial Performance

- Logged 16th quarter of record revenues and profitability since March 2000 IPO
- Fourth quarter 2003 revenues of $643.6 million, 14% year-over-year growth
- Full-Year 2003 revenues of $1.95 billion, 100% year-over-year growth
- Fourth quarter 2003 GAAP EPS $0.52, 73% year-over-year growth
- Full-Year 2003 GAAP EPS of $1.64, 74% year-over-year growth
- Generated $47.4 million positive cash-flow from operations for the quarter and $59.6 million positive cash-flow from operations for the year
- Record Year-End backlog of $1.06 Billion

Global Leadership

- In China, the number of subscribers on UTStarcom's PAS networks reached 21 million at the end of Q4, while total PAS subscribers in the China market is approximately 35 million
- Subscriber base for Yahoo! BB in Japan continues to grow, with more than 3.8 million subscribers for broadband service and approximately 3.3 million for the BB Phone service.
- UTStarcom maintains the largest all-IP network in the world.

Strategic International Expansion

- Signed $40 million expansion contract with Yahoo! BB for additional IP-DSLAM deployments
- Expanded contract with FITEK to offer PAS services in southern Taiwan
- Announced contract with Multilon to offer PAS service in Honduras
- Announced plans for strategic development in North and South America

Recent Accolades

- Ranked #1 "Fastest Growing Technology Companies of 2003" in Business 2.0
- Selected as World Economic Forum Technology Pioneer for 2004

Conference Call

The company will conduct a conference call, which is open to the public, to discuss these results. The call will take place at 1:30 p.m. (PST) today, January 22. The conference call dial-in numbers are as follows: United States -- 888-398-3046; International -- 706-634-2492.

A replay of the call will be available from approximately 5:30 p.m. (PST) on January 22, 2004 to 11:59 p.m. (PST) on January 29, 2004. The conference call replay numbers are as follows: United States -- 800-642-1687; International -- 706-645-9291. The Access Code is 4810391.

Investors will also have the opportunity to listen to the conference call and the replay over the Internet through UTStarcom's Web site at: http://www.utstar.com

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also be available on this site.

About UTStarcom, Inc.

UTStarcom is a global leader in IP access networking solutions and international service and support. The company sells its wireline, wireless, optical and switching solutions to operators in both fast growth and established telecommunications markets around the world. UTStarcom enables its customers to rapidly deploy revenue-generating access services using their existing infrastructure, while providing a migration path to cost-efficient end-to-end IP networks. Founded in 1991 and headquartered in Alameda, California, the company has research and design operations in New Jersey, China, and India.

For more information about UTStarcom, visit the company’s Web site at www.utstar.com.

Forward-Looking Statements

This release includes forward-looking statements, including the foregoing statements regarding continued strength of the Company's business in China and in international markets as well as across product lines, the Company's ability to replicate its success in China in international markets, anticipated revenue attributable to particular product lines, and the guidance given for anticipated revenue and earnings per share for the first quarter and full-year of 2004. These statements are forward-looking in nature and subject to risks and uncertainties that may cause actual results to differ materially. These risk factors include rapidly changing technology, the changing nature of global telecommunications markets, particularly in China, the termination of significant contracts, the direction and results of future research and development efforts, evolving product and applications standards, reduction or delays in system deployments, product transitions, potential non-realization of backlog, changes in demand for and acceptance of the Company's products, general adverse economic conditions, and trends and uncertainties such as changes in government regulation and licensing requirements, particularly in China. The Company also refers readers to the risk factors identified in its latest Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as filed with the Securities and Exchange Commission.

UTStarcom, Inc.
Consolidated Statements of Operations
(In thousands, except per share amounts) (Unaudited):

<table>
<thead>
<tr>
<th></th>
<th>Three months ended</th>
<th>Twelve months ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Dec 31, 2003</td>
<td>Dec. 31, 2002*</td>
</tr>
<tr>
<td></td>
<td>Dec 31, 2003</td>
<td>Dec 31, 2002*</td>
</tr>
<tr>
<td>Net sales</td>
<td>$643,596</td>
<td>$301,095</td>
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<tr>
<td></td>
<td>$1,964,332</td>
<td>$981,806</td>
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<tr>
<td>Cost of sales</td>
<td>443,719</td>
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<tr>
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<td>1,328,164</td>
<td>636,334</td>
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<tr>
<td>Gross profit</td>
<td>199,877</td>
<td>161,101</td>
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<tr>
<td></td>
<td>636,168</td>
<td>345,472</td>
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<tr>
<td>Operating expenses:</td>
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<tr>
<td>Selling, general and</td>
<td>57,211</td>
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<td>administrative</td>
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<td>Research and development</td>
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<td>In process research and</td>
<td>123</td>
<td>--</td>
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<tr>
<td>development</td>
<td>10,686</td>
<td>670</td>
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<tr>
<td>Amortization of intangible</td>
<td>3,111</td>
<td>631</td>
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<tr>
<td>assets</td>
<td>8,370</td>
<td>2,395</td>
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<td>Total operating expenses</td>
<td>107,838</td>
<td>51,763</td>
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<td>352,436</td>
<td>199,510</td>
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<td>Operating income</td>
<td>92,039</td>
<td>49,338</td>
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<tr>
<td></td>
<td>274,732</td>
<td>145,962</td>
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<tr>
<td>Interest and other income</td>
<td>(2,530)</td>
<td>(3,912)</td>
</tr>
<tr>
<td>(expenses)</td>
<td>227</td>
<td>(5,637)</td>
</tr>
<tr>
<td>Equity in loss of</td>
<td>(980)</td>
<td>(3,109)</td>
</tr>
<tr>
<td>affiliated companies</td>
<td>(5,260)</td>
<td>(4,053)</td>
</tr>
<tr>
<td>Income before income</td>
<td>58,529</td>
<td>42,317</td>
</tr>
<tr>
<td>taxes and minority interest</td>
<td>269,759</td>
<td>136,272</td>
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<tr>
<td>Income tax expense</td>
<td>22,132</td>
<td>8,464</td>
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<tr>
<td></td>
<td>67,442</td>
<td>27,254</td>
</tr>
</tbody>
</table>
Minority interest in earnings of consolidated subsidiaries  
(41)  -  (76)  (1,156)

Net income  
$66,356  $33,853  $202,251  $107,862

Basic earnings per share  
$0.64  $0.32  $1.95  $0.98

Diluted earnings per share  
$0.52  $0.30  $1.64  $0.94

Weighted average shares used in per-share calculation:  
- Basic  
  103,814  106,621  103,659  109,566
- Diluted  
  129,672  111,213  124,909  114,407

<table>
<thead>
<tr>
<th>Three months ended</th>
<th>Twelve months ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec 31, 2003</td>
<td>Dec. 31, 2002*</td>
</tr>
<tr>
<td>Dec. 31, 2003</td>
<td>Dec. 31, 2002*</td>
</tr>
</tbody>
</table>

1. The above unaudited financial statements include the following non-cash expenses:

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of Sales</td>
<td>$1</td>
<td>$1</td>
</tr>
<tr>
<td>Selling, general and administrative</td>
<td>9</td>
<td>61</td>
</tr>
<tr>
<td>Research and development</td>
<td>1,056</td>
<td>435</td>
</tr>
</tbody>
</table>

Total stock compensation expense  
$1,066  $515  $4,302  $3,099

Amortization of intangible assets  
$3,111  $631  $8,370  $2,395

In-process research and development  
$123  --  $10,686  $670

Impairment in investment portfolio  
$(340)  $4,406  $(349)  $7,230

2. Earnings per share

Basic earnings per share  
Income available to common stockholders  
$66,356  $33,853  $202,251  $107,862

Effect of Dilutive Securities
7/8% Convertible Subordinated Notes  
617  --  3,090  --

Diluted earnings per share  
Income available to common stockholders + assumed conversions  
$66,973  $33,853  $205,341  $107,862

* Certain reclassifications have been made to prior year balances in order to conform to the current year presentation

UTStarcom, Inc.
Consolidated Balance Sheets
(In thousands)
(Unaudited)

<table>
<thead>
<tr>
<th>December 31, 2003</th>
<th>December 31, 2002*</th>
</tr>
</thead>
<tbody>
<tr>
<td>(unaudited)</td>
<td></td>
</tr>
</tbody>
</table>

ASSETS
Current assets:
- Cash, cash equivalents and short-term investment: $422,591, $339,249
- Accounts receivable, net: 365,865, 222,050
- Notes receivable: 11,362, 12,048
- Inventories, net: 298,457, 183,687
- Deferred costs/inventories at customer sites under contracts: 517,548, 240,979
- Prepaid expenses: 136,262, 47,220
- Restricted cash: 24,404, 21,251
- Other current assets: 52,408, 40,888
- Total current assets: 1,631,907, 1,107,372

Property, plant and equipment, net: 186,076, 93,980
Long-term investments: 24,056, 35,360
Goodwill and intangible assets, net: 145,933, 49,820
Other long term assets: 38,976, 19,020
- Total assets: $2,226,958, $1,305,352

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:
- Accounts payable: $251,176, $256,980
- Debt: 1, --
- Income taxes payable: 16,780, 13,603
- Deferred revenue: 503,612, 164,247
- Other: 173,138, 104,927
- Total current liabilities: 944,707, 539,157

Long-term debt: 402,500, --
Minority interest in consolidated subsidiaries: 560, --
Stockholders' equity:
- Common stock: 131, 135
- Additional paid-in capital: 653,624, 658,546
- Deferred stock compensation: (7,761), (11,766)
- Retained earnings: 229,777, 120,520
- Receivable from shareholders: --, (282)
- Other comprehensive income/(loss): 3,420, (758)
- Total stockholders' equity: $79,191, 766,395

Total liabilities and stockholders' equity:
- December 31, 2003: $2,226,958
- December 31, 2002*: $1,305,352

* Certain reclassifications have been made to prior year balances in order to conform to the current year presentation

SOURCE UTStarcom, Inc.

Michael J. Sophie, Sr. Vice President of Finance and CFO,
+1-510-749-1510, or Chesha E. Kamieniecki, Investor Relations Manager,
+1-510-749-1560, both of UTStarcom, Inc.; or Stephanie Gallagher of Engage PR.
EXHIBIT 36
OPERATOR: Good afternoon. My name is Derrick and I will be your conference facilitator. At this time I would like to welcome everyone to the UTStarcom Fourth Quarter and Full Year 2003 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks there will be a question and answer period. If you would like to ask a question during this time, simply press star, then the number one on your telephone keypad. If you would like to withdraw your question, press star then the number two on your telephone keypad. Thank you. Ms. Kimincky, you may begin your conference.

TRISHA KIMINICKY, INVESTOR RELATIONS, UTSTARCOM INC: Thank you. Good afternoon and welcome to UTStarcom Fourth Quarter and full year 2003 earnings conference call. I am pleased to introduce our CEO, Hong Lu and our CFO, Mike Sophie who will host today's call. Hong will begin the call this afternoon by discussing UTStarcom's strategic vision and long term outlook, then he'll turn the call over to Mike who will discuss fourth quarter highlights and provide a detailed financial review of Q4 2003 and update guidance for 2004. Afterwards, we'll open the call up for Q&A.

Before we begin the call, I'd like to remind everyone that some of the information we'll discuss today constitutes forward-looking statements. Actual results could differ materially from our current expectations. To understand the risks that could cause results to differ, please refer to the risk factors identified in our latest annual report on Form 10-K, quarterly report on Form 10-Q, current reports on Form 8-K which are filed with the Securities and Exchange Commission.

With that I'll turn the call over to Hong. Hong?

HONG LU, CEO, UTSTARCOM INC: Thank you Trisha. Good afternoon and thanks for joining us today. I'm happy to announce that this quarter marks the sixteenth quarter of record revenue and profitability for UTStarcom. As Trisha mentioned, Mike will review the Q4 and full year results in detail in few moments. Today, I would like to talk with you about UTStarcom's long-term strategy for success. I would like to begin with a customer case-study in Honduras and describe how UTStarcom is partnering with them to expand their telecommunication network.

Last month, I met with Ricardo Maduro, the President of Honduras. I was there to offer the UTStarcom support for Presidents' telephony for all initiatives. The goal for the telephony for our program is to provide basic telecommunication network in Honduras today and the China market of five years ago are stricking.

Currently, in Honduras there are only a total of three hundred thousand six ninety-four for the population of nearly seven million. There is a long waiting list to get telephone services and people can wait for several years to get a new phone line. We are in the process of building an initial Pass network of a hundred and fifty thousand lines and expect it to reach capacity in one year. To me, the similarity between the communication market in Honduras today and the China market of five years ago are stricking.

When we introduce our PAS technology in China in 1998, we enabled the new class of users of a communication services. During the last five years the demand for the PAS services have been overwhelming. In 2003 alone, 23 million people signing up for the PAS services in China. The total number of PAS subscribers in China is now 35 million, 60% of whom are served by network powered by UTStarcom. PAS accounted for approximately 50% of all fixed line addition in 2003. This year, PAS is expected to be about 60% of 40-50 million fixed line subscribers addition plan.
behind those targets.

Regarding within the quarter though Q1 with the seasonality there is a little bit dip in revenue. So I don’t think we will be looking at our turns necessarily improving a lot in Q1. We probably need to build some inventory a little bit of inventory to support the strong infrastructure right now. And then when you see the revenues accelerating Q2, Q3 and Q4 I will anticipate a steady improvement of inventory turn over in those quarters. And again we’re going to try to hit the 3 by end of calendar year 04.

LARRY HARRIS: Great, thank you.

OPERATOR: Your final question comes from Walter Price with Resner [ph] RCM

WALTER PRICE, ANALYST, RESNER RCM: Hi, yeah, I was wondering about the replacement market in paths with the SSMESS [ph]. Are you thinking that there is going to be significant replacement cycle that develops in 2004? And then just a clarification on the comment you just made. Does that mean that cash flow is going to be operating cash flow is going to be negative in the first quarter?

HONG LU: Okay cash flow question I will ask Mike, I will differ to Mike and I’ll answer those replacement market. In 2004, we will see more replacing market than ever before because simply we will have accumulative of a $35m and some of the earlier user we believe that our path handsets, that will last a little longer than GSM hand sets. We believe our average user would be holding it out for a little over 2 years versus the normal GSM is a little over a year. And so for some of the earlier hand sets we believe that they will have about 5 or 6 million will come onto the market for replacement markets.

MIKE SOPHIE: Yeah and Walter regarding the cash flow question if you look at the last 3 years typically in Q1 we do burn a little bit of cash. And then later in the year we are able to generate positive cash. So for the year we’re cash flow positive. As we go into 04 I will anticipate the same type, I think we’ll probably burn a little bit of cash in the fourth quarter sorry I mean Q1 here with a slight build of inventory, certainly not a huge use of cash. And then we do anticipate being cash flow positive from operation for the full calendar year in 04.

HONG LU: I would just add to Mike’s comments we are expecting a more demanding our base stations so we are buying a little bit more inventory at this moment too.

WALTER PRICE: Thank you.

HONG LU: Sure.

MIKE SOPHIE: That concludes our conference call we thank you all for participating. And we’ll be doing our next call in April after the Q1 results.

WALTER PRICE: Thank you.

OPERATOR: Thank you for participating in today’s UT Starcom fourth quarter and full year 2003 conference call. You may now disconnect.

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In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies’ most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

EXHIBIT 37
UTStarcom Reports Record First Quarter Results

- Exceeds Revenue and Profit Expectations - First Quarter 2004 Revenues of $622.3 Million, an Increase of 88 Percent Year-Over-Year - First Quarter 2004 GAAP Earnings of $54.8 Million, or $0.40 Per Share, an Increase in Net Income of 47 percent Year-Over-Year - Record Q1 Cash Collections of Over $500 Million

ALAMEDA, Calif., Apr 27, 2004 /PRNewswire-FirstCall via COMTEX/ -- UTStarcom, Inc. (Nasdaq: UTSI), a global leader in IP access networking and services, today reported record first quarter revenues and earnings for the three months ended March 31, 2004.

The company will conduct a conference call today, Tuesday, April 27, to discuss these results. The call will take place at 1:30 p.m. PDT. (Please see Conference Call section below for dial-in numbers.)

"It is my privilege to report a record first quarter performance for UTStarcom," said Hong Lu, chief executive officer of UTStarcom. "We are extremely pleased with our ability to continually deliver profitable growth to our stockholders. In addition, over the last several quarters, UTStarcom has focused on broadening our technology base, our product lines, and our global reach through organic growth, strategic partnerships, and M&A activity. We are now seeing results from this strategy, yielding strong revenue growth and profitability, and driving higher value to our stockholders."

Net sales for the first quarter of 2004 were $622.3 million, an increase of 88 percent over net sales of $330.5 million reported in the first quarter of 2003.

Net income for the first quarter of 2004 was $54.8 million, or $0.40 per share, compared to net income of $37.3 million, or $0.33 per share, for the first quarter of 2003, an increase in net income of 47 percent year-over-year.

Q1 2004 Highlights

Stellar Financial Performance
- Marks 17th consecutive quarter exceeding revenue and earnings guidance
- Announced over $500 million in new contracts in China
- Signed $100 million in new contracts outside of China

Global Leadership
- The number of UTStarcom PAS subscribers in China reached 26 million at the end of Q1, while total PAS subscribers in China are approximately 45 million.
- More than four million people subscribe for Yahoo! BB broadband service and approximately 3.8 million for the BB Phone service. Yahoo! BB averages 73,000 new subscribers for broadband service each month, while more than 79,000 BB Phone subscribers are added each month.

Technology Leadership
- Expanded global wireless strategy to include CDMA, WCDMA, TD-CDMA, and TD-SCDMA:
  - Signed CDMA subscriber unit and licensing agreement with QUALCOMM
  - Announced strategic partnership and licensing agreement with IPI Wireless to develop and manufacture TD-CDMA solutions worldwide
  - Acquired CDMA intellectual property portfolio from Hyundai
  - Introduced MovingMedia(tm) product family, which provides operators with a cost-effective, scalable approach to 3G
- Launched company's first dual-mode PAS/GSM handset
- Announced partnership with Cisco Systems to promote IP technology for 3G networks
Updated Guidance:

Guidance before acquisitions for 2004 would have been $2.7 billion in revenues and $1.95 GAAP Earnings per Share.

Guidance reflects the recently announced acquisitions of Hyundai Syscomm and TELOS. Guidance for the second quarter reflects initial acquisition-related expenses. In addition, the company anticipates increased R&D spending in both the second and third quarters as a result of these acquisitions. Finally, the company expects these acquisitions to be accretive in the second full quarter of ownership, which is the fourth quarter of 2004.

Q2 2004 Revenues:
-- Revenues for the second quarter are anticipated to be approximately $650-$660 million. With a 7% anticipated sequential increase targeted each quarter for the balance of the year.

Q2 2004 GAAP EPS:
-- GAAP earnings per share for the second quarter is targeted at $0.33, inclusive of $0.07 dilution associated with In-Process R&D and other expenses related to the Hyundai Syscomm and TELOS acquisitions.

FY 2004 Revenues:
-- Full-Year 2004 revenues are targeted at $2.75 Billion.

FY 2004 GAAP EPS:
GAAP earnings per share for the full-year 2004 is targeted at $1.85, inclusive of approximately $0.10 dilution incurred in the second and third quarters related to the Hyundai Syscomm and TELOS acquisitions.

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(PDT) on May 6, 2004. The conference call replay numbers are as follows: United States -- 800-642-1687; International -- 706-645-9291. The Access Code is 6858870.

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Forward-Looking Statements

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Consolidated Statements of Operations
(In thousands, except per share amounts)
(Unaudited)

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<th></th>
<th>Three months ended March 31, 2004</th>
<th>Three months ended March 31, 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>$622,292</td>
<td>$330,520</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>446,258</td>
<td>217,835</td>
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<tr>
<td>Gross profit</td>
<td>176,034</td>
<td>112,685</td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Selling, general and administrative</td>
<td>66,943</td>
<td>37,583</td>
</tr>
<tr>
<td>research and development</td>
<td>45,658</td>
<td>26,812</td>
</tr>
<tr>
<td>In process research and development</td>
<td>2,973</td>
<td>1,320</td>
</tr>
<tr>
<td>Amortization of intangible assets</td>
<td>2,973</td>
<td>695</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>115,574</td>
<td>66,410</td>
</tr>
<tr>
<td>Operating income</td>
<td>60,460</td>
<td>46,275</td>
</tr>
<tr>
<td>Interest and other income</td>
<td>9,057</td>
<td>4,490</td>
</tr>
<tr>
<td>Equity in loss of affiliated</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2004</td>
<td>2003</td>
</tr>
<tr>
<td>----------------------</td>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td>Income before income taxes and minority interest</td>
<td>$68,520</td>
<td>$49,790</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>$11,704</td>
<td>$12,447</td>
</tr>
<tr>
<td>Minority interest in earnings of consolidated subsidiaries</td>
<td>$(50)</td>
<td>--</td>
</tr>
<tr>
<td>Net income</td>
<td>$54,766</td>
<td>$37,343</td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td>$0.48</td>
<td>$0.35</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>$0.40</td>
<td>$0.33</td>
</tr>
<tr>
<td>Weighted average shares used in per-share calculation:</td>
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<td></td>
</tr>
<tr>
<td>-- Basic</td>
<td>114,614</td>
<td>107,358</td>
</tr>
<tr>
<td>-- Diluted</td>
<td>139,325</td>
<td>111,953</td>
</tr>
</tbody>
</table>

Three months ended March 31, 2004 and March 31, 2003

1. The above unaudited financial statements include the following non-cash expenses:
   - Cost of Sales: $ -- $3
   - Selling, general and administrative: $51 $115
   - Research and development: $26 $594
   - Total stock compensation expense: $77 $715
   - Amortization of intangible assets: $2,973 $695
   - In-process research and development: $ -- $1,320
   - Impairment in investment portfolio: $226 $223

2. Earnings per share
   - Basic earnings per share
     - Income available to common stockholders: $54,766 $37,343
   - Effect of Dilutive Securities
     - 7 1/8% Convertible Subordinated Notes: 917 --
   - Diluted earnings per share
     - Income available to common stockholders + assumed conversions: $55,683 $37,343

* Certain reclassifications have been made to prior year balances in order to conform to the current year presentation.

UTStarcom, Inc.
Consolidated Balance Sheets
(In thousands)
(Unaudited)

March 31, 2004
December 31, 2003

(unaudited)
### Balance Sheet

<table>
<thead>
<tr>
<th>Description</th>
<th>March 31, 2004</th>
<th>December 31, 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term investments</td>
<td>$766,269</td>
<td>$422,591</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>$432,474</td>
<td>368,865</td>
</tr>
<tr>
<td>Notes receivable</td>
<td>$43,824</td>
<td>11,362</td>
</tr>
<tr>
<td>Inventories, net</td>
<td>$318,079</td>
<td>257,038</td>
</tr>
<tr>
<td>Deferred costs/Inventories at customer sites under contracts</td>
<td>$426,240</td>
<td>558,977</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>$114,669</td>
<td>136,262</td>
</tr>
<tr>
<td>Restricted cash and short-term investments</td>
<td>$30,864</td>
<td>24,404</td>
</tr>
<tr>
<td>Other current assets</td>
<td>$54,628</td>
<td>52,408</td>
</tr>
<tr>
<td>Total current assets</td>
<td>$2,187,047</td>
<td>1,831,907</td>
</tr>
<tr>
<td>Property, plant and equipment, net</td>
<td>$200,762</td>
<td>186,076</td>
</tr>
<tr>
<td>Long-term investments</td>
<td>$24,101</td>
<td>24,066</td>
</tr>
<tr>
<td>Goodwill and intangible assets, net</td>
<td>$143,058</td>
<td>145,933</td>
</tr>
<tr>
<td>Other long term assets</td>
<td>$40,836</td>
<td>38,976</td>
</tr>
<tr>
<td>Total assets</td>
<td>$2,555,804</td>
<td>$2,226,958</td>
</tr>
</tbody>
</table>

### Liabilities and Stockholders' Equity

<table>
<thead>
<tr>
<th>Description</th>
<th>March 31, 2004</th>
<th>December 31, 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>288,017</td>
<td>$251,176</td>
</tr>
<tr>
<td>Income taxes payable</td>
<td>26,597</td>
<td>16,780</td>
</tr>
<tr>
<td>Customer advances</td>
<td>302,255</td>
<td>458,654</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>57,209</td>
<td>44,958</td>
</tr>
<tr>
<td>Other</td>
<td>175,857</td>
<td>173,139</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>849,735</td>
<td>944,707</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>402,500</td>
<td>402,500</td>
</tr>
<tr>
<td>Other long-term liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minority interest in consolidated</td>
<td></td>
<td></td>
</tr>
<tr>
<td>subsidiaries</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stockholders' equity</td>
<td>610</td>
<td>560</td>
</tr>
<tr>
<td>Common stock</td>
<td>144</td>
<td>131</td>
</tr>
<tr>
<td>Additional paid-in capital</td>
<td>1,115,113</td>
<td>653,624</td>
</tr>
<tr>
<td>Deferred stock compensation</td>
<td>(7,484)</td>
<td>(7,761)</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>231,526</td>
<td>229,777</td>
</tr>
<tr>
<td>Receivable from shareholders</td>
<td>--</td>
<td></td>
</tr>
<tr>
<td>Other comprehensive income/(loss)</td>
<td>3,860</td>
<td>3,420</td>
</tr>
<tr>
<td>Total stockholders' equity</td>
<td>1,342,959</td>
<td>879,191</td>
</tr>
<tr>
<td>Total liabilities and stockholders' equity</td>
<td>$2,555,804</td>
<td>$2,226,958</td>
</tr>
</tbody>
</table>

March 31, 2004 (unaudited)

Inventories are made up of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>March 31, 2004</th>
<th>December 31, 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventories at factories</td>
<td>$175,327</td>
<td>$166,075</td>
</tr>
<tr>
<td>Inventories at customer sites</td>
<td>$142,752</td>
<td>90,963</td>
</tr>
<tr>
<td>Inventories at customers sites</td>
<td></td>
<td></td>
</tr>
<tr>
<td>under contracts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total inventories</td>
<td>$374,319</td>
<td>$816,015</td>
</tr>
</tbody>
</table>

* Certain reclassifications have been made to prior year balances in order to conform to the current year presentation.

SOURCE UTStarcom, Inc.

Michael J. Sophie, Sr. Vice President of Finance and CFO of UTStarcom, Inc., +1-510-749-1510; or Stephanie Gallagher of Engage PR, +1-510-748-8200, ext. 213, or stephanie@engagepr.com, for UTStarcom
MIKE SOPHIE, CFO & VP, FINANCE, UTSTARCOM, INC.: Thank you. Good afternoon, and welcome to UTStarcom’s first-quarter 2004 earnings conference call. I am Mike Sophie. I am pleased to host today’s call with our CEO, Hong Lu. Hong will begin the call this afternoon by discussing UTStarcom’s strategic vision and long-term outlook. Then he will turn the call over to me and I will discuss highlights and provide a detailed financial review of Q1 2004 and update guidance for 2004. Afterwards, we will open the call for Q&A. Before we continue, I’d like to remind everyone that some of the information we will discuss today constitutes forward-looking statements. Actual results could differ materially from our current expectations. To understand the risks that could cause results to differ, please refer to the risk factors identified in our latest annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, which are filed with the Securities and Exchange Commission. With that, I will turn the call over to Hong. Hong?

HONG LU, CHAIRMAN, PRESIDENT & CEO, UTSTARCOM, INC.: Thank you, Mike. Good afternoon, and thanks for joining us today. I am happy to announce today the best first-quarter financial performance in UTStarcom’s history. We generated record Q1 revenues and earnings. Mike will go through a detailed financial review of the first-quarter results and give revised guidance later in the call and I would like to focus my discussion and the vision of the long-term growth I have for UTStarcom.

Last quarter, I talked with you about UTStarcom’s goal of becoming a $10 billion company over the next five years. To meet this 10 billion goal, we have, in the last several quarters, broadened our technology base of our product lines and our global reach through organic growth, strategic partners and M&A activity. Let me put our achievement into perspective. We now expect 35 to 40 percent of our revenue in 2005 to come from outside of China. That means approximately 1.2 billion in 2005 revenue will come from outside China, this compared to 5 to 600 million in 2004.

We have expanded our market through a number of strategic investments that began with the CommWorks and continue aggressively in Q1. We further expect that approximately 35 to 40 percent of 2005 revenue will be generated from our non-PAS product lines, including CDMA and 3G products. New wireline and optical broadband products, this translates approximately 1.2 billion in revenue from non-PAS products in 2005, both inside and outside China. We truly are a full-solution global telecommunications provider.

Our focus for growth continued to follow three key trends -- one wireless, two, broadband, and number three is IP. I will begin with wireless. UTStarcom now offers PAS CDMA 2000, W-CDMA, TD-CDMA and TD-SCDMA solutions. We can now offer most of operators in the world a cross-competitive comprehensive wireless solution, covering a wide range of frequencies, licensing and applications. Here are some specifics. In Q1, we announced over 500 million in PAS contracts in China. Total PAS subscribers on UTStarcom’s network surpass 26 million in the first quarter of 2004, an increase of 5 million from the end of last year. China is expected to add 30 to 35 million new PAS subscribers in 2004. We expect to maintain approximately 60 percent of the market share for infrastructure and greater than 50 percent for handsets. That translates into 18 to 21 million new subscribers utilizing UTStarcom’s PAS infrastructure and handsets. Outside of China, we are currently deploying PAS technology in Southeast Asia, Latin America and Africa, and will continue to expand PAS deployments in those and other markets in the world going forward.

We are also making significant progress in 3G. Products, partnership and acquisition announcements last month have just started our 3G sales in China and beyond. We also have introduced our moving media 3G product lines, providing W-CDMA, TD-CDMA and TD-SCDMA access to the 3G networks. On March 31, UTStarcom successfully launched its phase one 3G field trial with China Netcom in baking. So far, we have received wide

expanding, I believe both carrier and equipment suppliers will consolidate over the next couple of years.

Through organic growth, partnership and strategic mergers and acquisitions, we have expanded our technology and positive cash flow. We will continue to focus on these three key metrics and these are the metrics that are not profitable. **UTStarcom** has been able to maintain net after-tax margin of 9 to 10 percent.

We believe shareholders' value is driven by dominant market position, revenue growth and profitability. Let me repeat myself because I believe this is a very important point. I am driving my team for topline growth, profit growth and positive cash flow. We will continue to focus on these three key metrics and these are the metrics you should track.

In closing, by taking a creative approach at growth, **UTStarcom** has become the core solution telecom provider. Through organic growth, partnership and strategic mergers and acquisitions, we have expanded our technology products and global reach. Our Next Generation products can be sold to any carriers in the world, we are a healthy, growing, profitable company with a strong cash position. I'm confident we will achieve our goal of becoming a $10 billion company in the next five years. Now, I will turn the call over to Mike.

MIKE SOPHIE: Thank you, Hong. Let me begin by giving some highlights for the first quarter of 2004. Sales increased 88 percent over Q1 2003. Net income increased nearly 47 percent over Q1 2003. Our balance sheet continues to strengthen with record Q1 collections of over 500 million. In addition, our inventory turns continue to improve as guided and came in at 2.3 for the quarter. During the quarter, we announced over 500 million in past contracts in China. In addition, we signed approximately 100 million in new contracts in our international markets in the quarter, including expansions in Japan, Vietnam and Taiwan, as well as new customers in North America, Latin America and Europe.

Now I would like to make some more detailed comments on our first-quarter financial results. And then I will give updated guidance for 2004. Sales for the first quarter were 622.3 million as compared to 330.5 million in the first quarter 2003, an increase of 88 percent year-over-year. This tremendous growth was driven by strong customer demand. In Q1, wireless infrastructure accounted for approximately 54 percent of sales. Handsets accounted for 38 percent of sales while 8 percent came from our wireline products. This overall revenue growth comes in spite of seasonality associated with handset sales and lumpiness of international rollouts and is based on the strength of past infrastructure demand. Overall, nationwide PAS subscriber growth in China was 9 to 10 million in Q1 2004, and 5 million of these subs on our network. Utilization of **UTStarcom** PAS networks is now at 70 percent. We believe our universal expectations for continued strong PAS subscriber growth and with network capacity of 70 percent of utilization, it is clear subscriber growth will continue to drive both handset and infrastructure sales.

Revenue from mainland China represented approximately 92 percent of total revenue for the quarter. Non-China revenues will contribute approximately 20 to 25 percent of total revenues for the year and the recognition of those revenues will be lumpy from quarter-to-quarter, tied to both customer roll-out schedules and timing of the final acceptance.

Gross margin dollars for the first quarter were 176 million compared with 112.7 million in Q1 2003, an increase of 56 percent. Gross margin as a percent came in as revised at 28 percent of sales. This decrease in gross margin percent as compared with Q4 2003 is primarily attributable to higher cost of goods on component purchases denominated in Yen as a result of the appreciation of the Yen versus the dollar. The Yen-denominated materials represent approximately 30 to 35 percent of our total cost of goods. In the fourth quarter 2003, the average Yen to dollar impact on cost of goods was approximately 115 to 1. And in the first quarter of 2004, the average Yen to dollar impact on cost of goods was approximately 109 to 1. In addition, competitive pressures brought handset margins in at 20 to 21 percent of sales and infrastructure gross margins came in at approximately 33 percent of sales. As Hong mentioned, we are not constrained by gross margin percent and focus more on growing revenues and net income, and at the same time, we are confident we will be able to improve gross margins later in the year. I will give specific margin guidance later in the call.

SG&A expenses for the first quarter were 66.9 million or 11 percent of sales as compared with 37.6 million or 12 percent of sales in Q1 2003. The increase in absolute dollars can be attributed to an increase in overall business levels versus first quarter 2003 and the increase over fourth quarter 2003 is primarily related to expanded sales activities and increased IT spending related to our worldwide Oracle conversion. Research and development spending for the first quarter was 45.7 million or 7 percent of sales as compared to 26.8 million or 8 percent of sales in Q1 2003. We continue to increase our R&D staffing in all of our facilities. The primary expansion has focused on China and India. We continue to achieve excellent leverage on our R&D staffing as 81 percent of our...
MIKE SOPHIE: Well, yes, we'll give detailed financial guidance. But if we are successful in running the company, yes.

JEFF KVAAL: That's a target operating model?

MIKE SOPHIE: Yes.

JEFF KVAAL: Okay. All right. Perfect. Thanks, very much.

MIKE SOPHIE: Okay. That concludes the conference call here for today. If there's any additional questions from anybody in the audience, we will be happy to take your calls into the company. And again, thank you all for participating.

OPERATOR: This concludes today's UTStarcom first-quarter 2004 conference call. You may now disconnect.

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Document FNDW000020040511e04r0020k

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EXHIBIT 39
UTStarcom Reports Second Quarter 2004 Results - Updates 2004 and 2005 Financial Guidance

- Record Second-Quarter Revenues of $689.6 Million, an Increase of 70 Percent Year-Over-Year
- Gross Margins of 25.4% - A Result of Competitive Pricing Pressure in China Market as well as Supply-Chain Constraints Delaying International Revenue Recognition
- GAAP Earnings of $43.2 Million, or $0.32 Per Share

ALAMEDA, Calif., Jul 27, 2004 /PRNewswire-FirstCall via COMTEX/ -- UTStarcom, Inc. (Nasdaq: UTSI), a global leader in IP access networking and services, today reported its second quarter revenues and earnings for the three months ended June 30, 2004.

The company will conduct a conference call today, Tuesday, July 27, to discuss these results. The call will take place at 4:30 p.m. EDT. (Please see Conference Call section below for dial-in numbers.)

"UTStarcom continues to go through a significant transformation as a company," said Hong Lu, chief executive officer of UTStarcom. Just four years ago, UTStarcom was heavily focused on China and PAS technology. In the past year, we entered a number of new markets through a combination of organic growth and strategic acquisitions. I believe that the next six months will be a crucial transition period for UTStarcom as we integrate all new initiatives into our core business model and emerge as a truly diversified global telecom solutions provider.

"This second quarter is an example of both the successes and the challenges we experience as a company going through such a transformation," Lu continued. "We are disappointed with the weaker than anticipated gross margins and earnings per share, which are primarily the result of continued pricing pressure in China as well as supply chain constraints that delayed recognition of some higher-margin international revenues. At the same time, we are optimistic as we experience an increasingly strong global demand for our products and are committed to executing on our long-term strategy of delivering profitable growth to our shareholders. In the second quarter, we signed nearly $300 million in international contracts, bringing the total to more than $400 million in the first half of the year."

In order to better accommodate growing international demand and increased product portfolio diversification, UTStarcom has engaged a leading global supply chain-consulting firm to assist in transforming the company's supply chain management.

"We expect supply chain improvements will make us more agile and flexible and enable us to resolve any future constraints," said Lu. "I am committed to focusing the balance of 2004 on delivery and execution to meet our customers' demands."

Net sales for the second quarter of 2004 were $689.6 million, an increase of 70 percent over net sales of $405.8 million reported in the second quarter of 2003.

Second quarter gross margins came in at 25.4 percent, as compared to projected gross margins of 27-28 percent.

GAAP net income for the second quarter of 2004 was $43.2 million, or $0.32 per share. This compares to net income of $39.4 million, or $0.33 per share, for the second quarter of 2003.

"While the pressure we have seen on gross margins has led us to revise our EPS guidance going forward, we have confidence in our revenue guidance and strong visibility for 2004 and 2005," said Mike Sophie, chief financial officer of UTStarcom. "Despite UTStarcom's significant transformation period, the company is delivering impressive growth and outstanding profits."

Key Highlights for Q2 2004

- Solid Financial Performance
  -- Record Q2 revenues of $689.6 million
-- Strong GAAP Earnings of $43.2 million, or EPS of $0.32
-- Booked approximately $300 million in international contracts in Q2 and
$400 million June YTD
-- Announced more than $233 million in iPAS contracts in China in Q2 2004
for a total of over $600 million June YTD
-- Improved inventory turns to 2.7, up from 2.3 in Q1 2004

Key Customer Wins
-- Versatel (Europe) -- IP-DSLAM
-- Tiscali (Europe) -- IP-DSLAM
-- Softbank BB (Japan) -- IP-DSLAM
-- Chunghwa Telecom (Taiwan) -- NetRing optical products
-- FITEL (Taiwan) -- PAS
-- Vonage (North America) -- 8250 Personal Communications Management
System (PCMS)
-- Telefonica del Sur (Chile) -- iPAS

Customer Milestones
-- UTStarcom PAS subscribers in China reached 30 million at the end of Q2,
with total PAS subscribers in China estimated at approximately 54
million
-- International PAS subscribers reached 819,000 driven by success in
Taiwan and Vietnam
-- Additionally, PAS has been adopted in several international markets,
including Honduras, Chile, Mali, Swaziland, Mauritius and Cameroon.
-- To date, UTStarcom has deployed more than five million lines of IP-
DSLAM equipment globally.
-- UTStarcom's participation as a key IP-DSLAM provider to Softbank has
enabled the successful growth of Yahoo! BB's broadband and VoIP
services. Approximately 4.3 million people have subscribed to Yahoo!
BB's broadband service and more than 4 million to the BB Phone service
by the end of June 2004

Global Technology Leadership
-- Announced opening of new service and support centers in Gurgaon, India
and Mexico City, Mexico
-- Acquired TELOS Technology, a leading provider of industry-proven packet
core networks for CDMA2000
-- Provided MovingMedia 2000 IP-based wireless softswitch technology to
QUALCOMM for use in an in-flight CDMA wireless voice communications
test onboard an American Airlines commercial aircraft
-- Announced definitive agreement to acquire select assets of Audiovox
Communications Corporation (ACC) for $165.1 Million, providing
UTStarcom with the following benefits:
- A comprehensive sales, service, and support platform
- A well-recognized CDMA handset brand
- Strong product marketing expertise
- Key relationships with top-tier CDMA operators, particularly in
North and South America
-- Demonstrated 100 Mbps over copper and HDTV services at SUPERCOMM with
Ikanos Communications
-- Introduced standards-based Gigabit Ethernet PON product family
-- Introduced Release 6.2 of the 8250 Personal Communications Management
System (PCMS)

Financial Guidance
Revised guidance for 2004 and 2005 is as follows:

| Revenue Range: | Q3 2004: | $695-$700 million |
|               | FY 2004:  | $2.95-$3.0 billion* |
|               | FY 2005:  | $4.0-$4.3 billion* |
| Gross Margins:| Q3 2004: | 27-28% |
|              | FY 2004: | 27%** |
|              | FY 2005: | 27%*** |
As previously projected, the company believes that gross margins have reached a low point in Q2 2004 and will improve throughout the balance of 2004.

<table>
<thead>
<tr>
<th>GAAP EPS Range</th>
<th>Q3 2004:</th>
<th>$0.34-$0.35</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY 2004:</td>
<td>$1.65-$1.70***</td>
</tr>
<tr>
<td></td>
<td>FY 2005:</td>
<td>$2.20</td>
</tr>
</tbody>
</table>

(* Includes anticipated revenue of $200M in Q4 2004 and $800M in 2005 related to the acquisition of Audiovox Communications Corporation)

(**Anticipated gross margin consists of 28% core UTStarcom gross margins and 5% gross margins associated with revenues derived in Q4 from Audiovox Communications Corporation)

(***Anticipated gross margin consists of 30% core UTStarcom gross margins and 13% margins associated with the revenues derived from Audiovox Communications Corporation)

(****Includes anticipated charges related to the acquisition of Audiovox Communications Corporation)

Conference Call

The company will conduct a conference call, which is open to the public, to discuss these results. The call will take place at 4:30 p.m. (EDT). The conference call dial-in numbers are as follows: United States -- (888) 398-3046; International -- (706) 634-2492.

A replay of the call will be available from approximately 5:30 p.m. (EDT) on July 27, 2004 to 11:59 p.m. (EDT) on August 5, 2004. The conference call replay numbers are as follows: United States -- (800) 642-1687; International -- (706) 645-9291. The Access Code is 9639252.

Investors will also have the opportunity to listen to the conference call and the replay over the Internet through UTStarcom's web site at: www.utstar.com

To listen to the live call, please go to the Web site at least 15 minutes early to register, and to download and install any necessary audio software. For those who cannot listen to the live broadcast, a replay will also be available on this site.

About UTStarcom, Inc.

UTStarcom is a global leader in IP access networking solutions and international service and support. The company sells its wireline, wireless, optical and switching solutions to operators in both fast growth and established telecommunications markets around the world. UTStarcom enables its customers to rapidly deploy revenue-generating access services using their existing infrastructure, while providing a migration path to cost-efficient end-to-end IP networks. Founded in 1991 and headquartered in Alameda, California, the company has research and design operations in New Jersey, China, and India. UTStarcom is a FORTUNE 1000 company.

For more information about UTStarcom, visit the company's Web site at www.utstar.com.

Forward-Looking Statements

This release includes forward-looking statements, including the foregoing statements regarding continued growth in demand for the Company's products, anticipated results of the Company's acquisitions, anticipated improvements in supply chain management and the guidance given for anticipated gross margins, revenue and earnings per share for the third quarter and full-year of 2004 and for 2005. These statements are forward-looking in nature and subject to risks and uncertainties that may cause actual results to differ materially. These risk factors include rapidly changing technology, the changing nature of global telecommunications markets, both in China and globally, the termination of significant contracts, the direction and results of future research and development efforts, evolving product and applications standards, reduction or delays in system deployments, product transitions, potential non-realization of backlog changes in demand for and acceptance of the Company's products, general adverse economic conditions and prices, and the potential impact of legislative and regulatory developments.
conditions, and trends and uncertainties such as changes in government regulation and licensing requirements, both in China and globally. The Company also refers readers to the risk factors identified in its latest Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-

\[
\begin{array}{l}
\text{UTStarcom, Inc.} \\
\text{Consolidated Statements of Operations} \\
\text{(In thousands, except per share amounts)} \\
\text{(Unaudited)}
\end{array}
\]

<table>
<thead>
<tr>
<th></th>
<th>Three months ended</th>
<th>Six months ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 30, 2004</td>
<td>June 30, 2003</td>
</tr>
<tr>
<td>Net sales</td>
<td>$689,628</td>
<td>$1,311,919</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>514,163</td>
<td>960,420</td>
</tr>
<tr>
<td>Gross profit</td>
<td>175,465</td>
<td>351,499</td>
</tr>
</tbody>
</table>

\[
\begin{array}{l}
\text{Operating expenses:} \\
\text{Selling, general and} \\
\text{administrative} \\
\text{Research and development} \\
\text{In process research and development} \\
\text{Amortization of intangible assets} \\
\text{Total operating expenses} \\
\text{Operating income} \\
\text{Interest and other income (expenses)} \\
\text{Equity in loss of affiliated companies} \\
\text{Income before income taxes and minority interest} \\
\text{Income tax expense} \\
\text{Minority interest in earnings (losses) of consolidated subsidiaries} \\
\text{Net income} \\
\text{Basic earnings per share} \\
\text{Diluted earnings per share} \\
\text{Weighted average shares used in per-share calculation:} \\
\text{Basic} \\
\text{Diluted} \\
\text{Three months ended} \\
\text{June 30, 2004} \\
\text{June 30, 2003} \\
\text{Six months ended} \\
\text{June 30, 2004} \\
\text{June 30, 2003} \\
\text{1. The above unaudited financial statements include the following non-cash expenses:} \\
\text{Cost of Sales} \\
\text{Selling, general and administrative} \\
\text{Research and development} \\
\text{Cost of Sales} \\
\text{Selling, general and administrative} \\
\text{Research and development} \\
\end{array}
\]

Total stock compensation expense $168 $715 $245 $5,200

Amortization of intangible assets $3,465 $1,483 $6,466 $7,527

In-process research and development $1,400 $1,320 $1,400 $4,720

Change in investment portfolio $(309) $223 $(501) $3,376

2. Earnings per share

Basic earnings per share
Income available to common stockholders $43,219 $19,412 $97,984 $76,755

Effect of Dilutive Securities
7/8% Convertible Subordinated Notes 884 1,092 1,798 1,375

Diluted earnings per share
Income available to common stockholders + assumed conversions $44,103 $40,504 $99,782 $78,130

* Certain reclassifications have been made to prior year balances in order to conform to the current year presentation

UTStarcom, Inc.
Consolidated Balance Sheets
(In thousands)
(Unaudited)

June 30, December 31,
2004 2003

ASSETS

Current assets:
Cash, cash equivalents and short-term investments $561,746 $422,591
Accounts receivable, net 509,608 324,921
Related parties accounts receivable, net 29,884 43,944
Notes receivable 43,392 11,362
Inventories, net 435,473 257,038
Deferred costs/Inventories at customer sites under contracts 334,913 588,977
Prepaid expenses 117,995 136,262
Restricted cash and short term investments 42,633 24,484
Other current assets 39,147 52,408
Total current assets 2,114,791 1,831,907

Property, plant and equipment, net 226,009 186,076
Long-term investments 24,504 24,066
Goodwill and intangible assets, net 177,620 144,232
Other long term assets 47,735 40,677
Total assets $2,390,659 $2,226,950

LIABILITIES AND STOCKHOLDERS’ EQUITY

Current liabilities:
Accounts payable $389,094 $261,176
Income taxes payable 27,945 16,780
Customer advances 143,243 458,654
Deferred revenue 49,493 44,956
Other 205,137 173,139

Total current liabilities 820,912 944,707
Long-term debt 402,500 402,500
Minority interest in consolidated subsidiaries 647 560
Stockholders' equity:
Common stock 143 131
Additional paid-in capital 1,114,632 653,624
Deferred stock compensation (7,315) (7,761)
Retained earnings 254,740 229,777
Other comprehensive income/(loss) 4,400 3,420
Total stockholders' equity 1,366,600 879,191

Total liabilities and stockholders' equity $2,590,659 $2,226,958

June 30, December 31, 2004 2003

Inventories are made up of the following:

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventories at factories</td>
<td>$312,810</td>
<td>$166,075</td>
</tr>
<tr>
<td>Inventories at customer sites</td>
<td>122,563</td>
<td>90,963</td>
</tr>
<tr>
<td>Inventories at customer sites under contracts</td>
<td>334,913</td>
<td>558,977</td>
</tr>
<tr>
<td>Total inventories</td>
<td>$770,386</td>
<td>$816,015</td>
</tr>
</tbody>
</table>

* Certain reclassifications have been made to prior year balances in order to conform to the current year presentation.

SOURCE UTStarcom, Inc.

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http://www.utstar.com

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News Provided by COMTEX
OPERATOR: Good afternoon. My name is Brenda and I will be your conference facilitator. At this time, I would like to welcome everyone to the UTStarcom second-quarter 2004 earnings conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer period. (OPERATOR INSTRUCTIONS) I would now like to turn the call over to Mr. Mike Sophie, CFO of UTStarcom. Mr. Sophie, you may begin.

MIKE SOPHIE, SVP, CFO, UTSTARCOM, INC.: Thank you, Brenda. Good afternoon, everybody, and thank you for joining UTStarcom's second-quarter 2004 earnings conference call. I am Mike Sophie and I'm pleased to host today's call with our CEO, Hong Lu.

Hong will begin the call this afternoon by discussing UTStarcom's vision and strategy. Then he will turn the call over to me for a detailed financial review of Q2 2004, as well as guidance for Q3 and the full year. Afterwards, we will open the call for Q&A. We have a lot of information and updates to share with you today, so our prepared comments will go a little bit long. And as a result, we request that questions really be held to one each so that more people can participate in the call today.

Before we continue, I would like to remind everyone that some of the information we will discuss today constitutes forward-looking statements. Actual results could differ materially from our current expectations. To understand the risks that could cause results to differ, please refer to risk factors identified in our latest annual report on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, which are filed with the Securities and Exchange Commission. With that, I will turn the call over to Hong.

HONG LU, PRESIDENT, CEO, UTSTARCOM, INC.: Thank you, Mike. Good afternoon and thank you for joining us today. For some time now, I have laid out my vision of UTStarcom for the investment community. In this vision, UTStarcom evolved from a successful company that has dominated the China market with the PAS technology to one of the world's leading telecom solution providers.

In the past year, we entered into a number of new markets through the combination of organic growth and strategic acquisitions. I believe that the next six months will be crucial transition period for UTStarcom as we add those new initiatives into our core business and immerge as a truly diversified global telecom solution provider.

Of primary importance, we needed to expand our internal operation to keep up with our rapid external growth. We especially need to improve our international operations. We anticipated that non-China sales will contribute about 50 percent of our total revenue by year 2006. We recognize that this transition involves many risks and challenges; however, I believe the success we can achieve is worth those challenges.

The second quarter represents both some of our best success to date and some of the most difficult challenges we have had to face. I will start the call today with an overview of what went well in the quarter; then I share with you the things that need to be improved. I will also share with you how we plan to make those improvements.

Here is what went well in Q2. First, revenue in the second quarter exceeded guidance and came in at 689.6 million. This represents a 70 percent increase year-over-year. Our profitability remains strong, though we came in just below estimates at 32 cents per share.

Second, we maintained market share leadership and saw strong demand for our core product in China. Third, we are gaining momentum in the international diversification strategy, as evidenced by this year's booking and contract announcements. These include the building out of PAS network outside of China, as well as major
MIKE SOPHIE: I think Hong said it was approximately 4 million handsets in the quarter, and I think our ASPs were just under $60 for the current quarter.

FRANK MARSALA: Thanks very much.

MIKE SOPHIE: Again, this concludes our call. We thank you all for participating.

OPERATOR: Thank you. This concludes today's UTStarcom second-quarter 2004 earnings conference call. You may now disconnect.

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In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES CCBN ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.]

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EXHIBIT 41
UTStarcom Files Its Quarterly Report on Form 10-Q for the Second Quarter of 2004 With the Securities and Exchange Commission

Audit Committee and Management Team Completes Review: -- No Changes to Financial Statements As a Result of This Review -- Improvements to Company’s Internal Controls To Be Implemented Separately, an Increase of $0.01 GAAP EPS Will Be Reflected in Second Quarter Filing Due to a Reduction in Cost of Goods in Q2 2004

ALAMEDA, Calif., Aug 16, 2004 /PRNewswire-FirstCall via COMTEX/ -- UTStarcom, Inc. (Nasdaq: UTSI) today announced that it has filed its quarterly report on Form 10-Q for the second quarter ended June 30, 2004 with the Securities and Exchange Commission (SEC). This comes after the company filed for an automatic five-day extension with the SEC on August 10, as it wrapped up a review of its internal controls processes that was triggered by a transaction in the amount of $1.9 million.

"While we did not include the $1.9 million in our second quarter earnings results released on July 27, we still felt that the most conservative and appropriate approach for our company and its investors was to complete the entire review of the facts and circumstances and actions around that specific transaction and a broader review of our internal controls process before we submitted our filing to the SEC," stated Mike Sophie, chief financial officer of UTStarcom. "Also, as a part of the review we conducted a detailed analysis of the majority of the Company's non-China revenue transactions for the prior five quarters and determined that there were no discrepancies and that this was an isolated event."

The findings of this review, however, have led management to conclude that certain significant control deficiencies exist related to the review and evaluation of criteria related to revenue recognition.

In connection with the above findings and in an effort to address the weaknesses identified in the Company's internal controls, UTStarcom's management has determined that it will take immediate corrective action. Such action will include:

-- a centralized review, analysis and control of all non-China revenue recognition by US Corporate management, including receipt of third party evidence of delivery and the final acceptance certificate issued by the customer;

-- limitations of local signature approval authority for signing contracts; and

-- additional reconciliation and review of customer site inventory balances.

Separate from the review UTStarcom's internal accounting group determined that it had incorrectly written off too much inventory to cost-of-goods sold during the second quarter 2004, which resulted in an understatement of its gross margins. As such, the second quarter 2004 10-Q filing will reflect revised gross margins of 25.6% and GAAP earnings per share of $0.33 compared to gross margins of 25.4% and GAAP earnings per share of $0.32 as reported by the company on July 27, 2004.

In addition, UTStarcom is undertaking a thorough review of its internal controls as part of the Company's preparation for compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002. Rules describing the requirements for the Company's independent auditors to be able to attest to the Company's compliance under Section 404 were adopted in June 2004 and the Company, along with its external service providers, are currently interpreting compliance requirements under Section 404. As a result of this uncertainty, as well as the control deficiencies noted above, UTStarcom cannot be certain that it will be able to comply with the requirements of Section 404 by the December 31, 2004 deadline.

UTStarcom's management, including the Chief Executive Officer and the Chief Financial Officer, has conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, pursuant to Exchange Act Rule 13a-15(e) and 15d-15(e) as of June
Based on that evaluation, combined with a consideration of the additional procedures described above, the Company's Chief Executive Officer and the Chief Financial Officer concluded that, notwithstanding the weaknesses described above, the Company's disclosure controls and procedures are effective in ensuring that all material information required to be disclosed in its quarterly report has been made known to them in a timely fashion and no changes are required at this time.

About UTStarcom, Inc.

UTStarcom is a global leader in IP access networking solutions and international service and support. The company sells its wireline, wireless, optical and switching solutions to operators in both fast growth and established telecommunications markets around the world. UTStarcom enables its customers to rapidly deploy revenue-generating access services using their existing infrastructure, while providing a migration path to cost-efficient end-to-end IP networks. Founded in 1991 and headquartered in Alameda, California, the company has research and design operations in New Jersey, China, and India. UTStarcom is a FORTUNE 1000 company.

For more information about UTStarcom, visit the company's Web site at www.utstar.com.

Forward-Looking Statements

This release contains statements that are forward-looking in nature, including without limitation statements about the outcome of the actions being taken by the Company to correct certain significant control deficiencies, the effectiveness of the Company's disclosure controls and procedures, and the ability of the Company to comply with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 in a timely manner, and are subject to risks and uncertainties that may cause actual results to differ materially. The Company refers readers to the risk factors identified in its latest Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as filed with the Securities and Exchange Commission.

SOURCE UTStarcom, Inc.

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News Provided by COMTEX
UTStarcom Adjusts Financial Guidance for 2004 and Gives Update on Globalization Strategy

-- Financial Guidance Adjusted Primarily to Reflect Revenue Timing on Japan Telecom Contract; Product Delivery and Cash Collection Remain Unchanged -- Non-China Bookings Strong -- Company Predicts Approximately 40 Percent of Revenue Will Come from Outside China by Q4 2004 -- PAS Market Maturing as China Capex Slows in Anticipation of Next-Generation Network Spending -- Company Conducts Conference Call at 8 a.m. Pacific /11 a.m. Eastern Today to Discuss Anticipated Q3 and FY2004 Results

ALAMEDA, Calif., Sep 20, 2004 /PRNewswire-FirstCall via COMTEX/ -- UTStarcom, Inc. (Nasdaq: UTSI), a global leader in IP access networking and services, today announced it is conducting a conference call to discuss revised guidance for Q3 and full-year 2004 revenue and GAAP earnings per share and provide an update on the progress in executing on our globalization strategy. The call will take place at 8:00 a.m. PDT/11:00 a.m. EDT today, Monday, September 20. (Please see Conference Call section below for dial-in numbers.)

(Photo: NewsCom: http://www.newscom.com/cgi-bin/prnh/20031229/UTSLOGO)

"For several months now, we have been discussing the transformation that UTStarcom is currently undergoing. As UTStarcom evolves from a company that has dominated the PAS market in China into a worldwide supplier of diverse telecom solution, we experience many of the successes and challenges that are typical of a company undertaking a transformation of this magnitude," said Hong Lu, chief executive officer and president of UTStarcom. "We have worked diligently to address the challenges inherent to our rapid growth, which we discussed on the second quarter conference call. We continue to see strong demand for our solutions in markets outside of China, specifically in Japan, India, Latin America, Africa, Europe and North America, and feel comfortable with our guidance of $4.0-4.3 billion in revenue in 2005."

"Over the last several years, UTStarcom has experienced record revenue growth," Lu continued. "The company estimates that revenue will reach $2.8 billion in 2004, an increase of 40 percent from 2003 and 15 times the company's revenue in 1999. The company is committed to maintain both the top-line growth and GAAP profitability as it executes on our aggressive geographical and product diversification strategy."

UTStarcom is adjusting its fiscal guidance primarily as a result of the revenue recognition timing of the approximately $290 million Japan Telecom contract announced today, as well as the maturation of the PAS market in China.

The contract with Japan Telecom contains both equipment and service elements, which are considered connected. Revenue recognition rules under U.S. GAAP require 100 percent deferral of the combined revenue until both elements have been satisfied and delivered. It is therefore likely that the entire approximately $290 million of revenue will be deferred and recognized upon final acceptance during 2005. At the time of the company's second quarter earnings conference call, the company had initial purchase orders for and originally expected to recognize $220 million in revenues from this contract in the third and fourth quarters of 2004. Cash received in advance of the revenue recognition will be reflected as a Customer Advance.

"While international bookings are in place, service elements associated with the Japan Telecom contract are impacting the timing of revenue recognition," said Mike Sophie, chief financial officer of UTStarcom. "We are committed to our globalization strategy and delivering long-term results and shareholder value. Although the timing of revenue recognition on international contracts affects us in the near-term, we reiterate our guidance for 2005."

International bookings continue to be strong as UTStarcom moves towards realizing an approximate 50/50 split on China and non-China revenue as the company enters 2005. Several significant international customer wins have been announced of late, including recent significant contract wins for its broadband products with BSNL in India and Japan Telecom in Japan. UTStarcom has also signed its first CDMA infrastructure contract and is seeing demand for its 3G TD-CDMA solutions from operators in Europe and North America.
While the company's international revenue has increased, there has been a maturation of the PAS market in China. Operators in China are slowing in spending for new network construction and are currently optimizing and expanding the existing networks. However, PAS subscriber demand continues and is expected to reach 65-70 million subscribers by year-end and 100 million subscribers in 2005. UTStarcom's PAS customers in China are pleased with the success of the service to date, and the company anticipates PAS revenues to be approximately $1.5 billion in 2005.

Audiovox Update

The acquisition of Audiovox Communications Corporation is an integral part of UTStarcom's globalization strategy to become a worldwide supplier of diverse telecommunications solutions. Integration teams from both companies are currently working diligently on product road mapping and integration planning in anticipation of the acquisition closing in the fourth quarter of this year.

Adjusted Guidance

UTStarcom anticipates full-year 2004 revenue of approximately $2.55 billion for the core business plus an additional $200 million from Audiovox for a total of $2.75 billion, an increase of approximately 40 percent over 2003.

2005 Guidance

UTStarcom anticipates approximately 25 percent growth in revenue for its core business in 2005 and will add approximately $800 million and $0.15 EPS for the Audiovox acquisition bringing the totals to $4.0-4.3 billion in revenues and GAAP EPS of $2.00-2.20.

Mid-Quarter Financial Guidance

Revised guidance for the third quarter 2004 and 2005 is as follows:

<table>
<thead>
<tr>
<th>Revised Revenue Range:</th>
<th>Q3 2004: $590-$600 million</th>
<th>FY 2004: $2.75 billion</th>
<th>FY 2005: $4.0-$4.3 billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>GAAP EPS Range:</td>
<td>Q3 2004: $0.02-$0.04</td>
<td>FY 2004: $0.80-$0.85</td>
<td>FY 2005: $2.00-$2.20</td>
</tr>
</tbody>
</table>

Previous gross margin guidance for the third quarter assumed a higher revenue mix from non-China sales. Gross margins for the third quarter should be approximately 22-23 percent. In addition, the company expects to be cash flow positive for the second half and full year 2004. The company will provide more specific financial details during its regularly scheduled third quarter results conference call in October.

Conference Call

The company will conduct a conference call, which is open to the public, to discuss this guidance. The call will take place at 8:00 a.m. PDT/11 a.m. EDT. The conference call dial-in numbers are as follows: United States -- 888-398-3046; International -- 706-634-2492. The Conference Call ID is 285534.

A replay of the call will be available from approximately 12:00 p.m. (EDT) on September 20, 2004 to 11:59 p.m. (EDT) on September 27, 2004. The conference call replay numbers are as follows: United States -- 800-642-1687; International -- 706-645-9291. The Access Code is 285534.

Investors will also have the opportunity to listen to the conference call and the replay over the Internet through UTStarcom's Web site at: www.utstar.com.

To listen to the live call, please go to the Web site at least 15 minutes early to register and to download and install any necessary audio software. For those who cannot listen to the live broadcast, a replay will also be available on this site.
About UTStarcom, Inc.

UTStarcom is a global leader in IP access networking solutions and international service and support. The company sells its wireline, wireless, optical and switching solutions to operators in both fast growth and established telecommunications markets around the world. UTStarcom enables its customers to rapidly deploy revenue-generating access services using their existing infrastructure, while providing a migration path to cost-efficient end-to-end IP networks. Founded in 1991 and headquartered in Alameda, California, the company has research and design operations in New Jersey, China, and India. UTStarcom is a FORTUNE 1000 company.

For more information about UTStarcom, visit the company's Web site at www.utstar.com.

Forward-Looking Statements

The foregoing statements regarding, without limitation, continued growth in demand for UTStarcom's products, anticipated demand for the Company's products and revenue from international markets, anticipated results of UTStarcom's acquisition of Audivox Communications Corporation, anticipated improvements in supply chain management and the timing for, and results of, the implementation of such improvements, anticipated trends in PAS spending, subscriber growth and revenues, anticipated timing for the recognition of revenue from certain contracts, anticipated growth of the Company, anticipated trends in the mix of the Company's China and non-China business, and the guidance given for anticipated revenue and earnings per share for the third quarter and full year of 2004 and for 2005 are forward-looking in nature and are subject to risks and uncertainties that may cause actual results to differ materially. These factors include rapidly changing technology, the changing nature of global telecommunications markets, both in China and globally, the termination of significant contracts including those with Reliance Infocomm, BSNL, Japan Telecom and Telmex, the direction and results of future research and development efforts, evolving product and applications standards, reduction or delays in system deployments, product transitions, potential non-realization of backlog, changes in demand for and acceptance of UTStarcom's products, general adverse economic conditions and trends and uncertainties such as changes in government regulation and licensing requirements, both in China and globally. UTStarcom also refers readers to the risk factors identified in its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K as filed with the Securities and Exchange Commission.

SOURCE UTStarcom, Inc.

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News Provided by COMTEX
UTStarcom Signs Contract to Deliver New iAN-8000 Multi-Service Access Node and Promotional Services to Japan Telecom

UTStarcom Platform Will Enable Japan Telecom to Deliver New Services Such as Converged Voice, Data, and WiFi

ALAMEDA, Calif., Sep 20, 2004 /PRNewswire-FirstCall via COMTEX/ -- UTStarcom, Inc. (Nasdaq: UTSI), a global leader in IP access networking and services, today announced that Japan Telecom Co., Ltd., a wholly owned subsidiary of SOFTBANK Corp., has awarded it an approximately $290 million contract to supply its new iAN-8000 Multi-Service Access Node (MSAN) equipment and to manage a sales promotion program for Japan Telecom.

(Photo: NewsCom: http://www.newscom.com/cgi-bin/prnh/20031229/UTSLOGO)

Japan Telecom is deploying UTStarcom's iAN-8000 as part of a next-generation network it is building that it believes will ultimately provide fixed-line service to all of Japan, from Hokkaido in the north to Kyushu in the south. The company will use the equipment to deliver a wide variety of services such as converged voice, data, WiFi, and eventually video and unicast television streaming. This transaction was awarded on a competitive basis.

"We had several compelling reasons for selecting UTStarcom's iAN-8000," said Mr. Miyakawa, director and executive vice president of Japan Telecom. "We believe that the platform is cost-effective because it combines several functions in one unit. While our new service will initially carry voice and data traffic, the iAN-8000 will enable us to provide other IP services over the same network in the future. Japan Telecom is also working on a very tight schedule. We believe that UTStarcom has the manufacturing resources to deliver the units we need, when we need them, so we can start our new service as planned."

The new iAN-8000 combines the functions of UTStarcom's AN-2000 IP-based Digital Subscriber Line Access Multiplexer (DSLAM), the iAN-2000 Voice over IP (VoIP) Media Gateway, and a traditional Digital Loop Carrier (DLC). Japan Telecom will deploy the multi-function broadband access platform to support approximately ten million existing and new subscriber lines.

Due to the addition of the promotional element in the contract, UTStarcom is required under U.S. GAAP regulations to defer 100 percent of the revenue recognition until receipt of final acceptance for both products and services, which is expected to occur during 2005.

"This contract is very significant for UTStarcom; it is the first contract and first product element in what we believe will be a series of contracts and products that will enable Japan Telecom to deliver a new level of revenue-generating services," said Hong Lu, president and chief executive of UTStarcom. "We believe the iAN-8000 will help Japan Telecom start its new facilities with a scalable, high-density, next-generation platform that will enable the company to add a wide variety of IP-based services to its portfolio well into the future."

Terms of the Agreement

UTStarcom expects it will deliver the majority of the iAN-8000 equipment during the third and fourth quarters of 2004. Promotional services are expected to occur over the next nine to twelve month period.

The terms of the agreement specify that Japan Telecom is to remit 50 percent of the contract value in cash to UTStarcom within one month of the execution of the contract. Cash for the remaining 50 percent will be due shortly after delivery of the equipment.

This agreement has both equipment and service elements, which are considered linked. Revenue recognition treatment under U.S. GAAP as promulgated per Staff Accounting Bulletin 104, requires 100 percent deferral of revenue until both elements have been satisfied and delivered. Therefore, the entire $290 million of revenue will be deferred and recognized upon final acceptance, during 2005. Cash received in advance of the revenue recognition will be reflected as a Customer Advance.
About Japan Telecom

Japan Telecom is known for its interconnection and partnerships with some of the world’s leading telecom carriers to provide various international services in major areas of the world, such as the U.S.A. and Europe, where telecommunications demand is strong. This targeted approach through partnerships provides Japan Telecom’s customers with solutions to their networking needs as they develop their multinational businesses. Japan Telecom continues to be a leading network solutions partner to its customers, providing them with high quality services and complete support systems.

For more information about Japan Telecom, visit the company’s Web site at www.japan-telecom.co.jp/english/

About UTStarcom, Inc.

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Forward-Looking Statements

The foregoing statements regarding, without limitation, the amount of revenue expected to be generated under the contract with Japan Telecom, the cost-effectiveness of the iAN-8000, the deployment of UTStarcom’s products by Japan Telecom and the ability of Japan Telecom to expand its networks and services and to increase its subscriber volume are forward-looking in nature and are subject to risks and uncertainties that may cause actual results to differ materially. These factors include rapidly changing technology, the changing nature of Japan’s telecommunications market, evolving product and application standards, changes or delays in product introductions and deployments, possible downturns in the markets of Japan generally and worldwide, the termination of significant contracts, partnerships or alliances, specifically with Japan Telecom, and other uncertainties, such as changes in government regulation and licensing requirements in Japan. UTStarcom also refers readers to the risk factors identified in its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K as filed with the Securities and Exchange Commission.

SOURCE UTStarcom, Inc.

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News Provided by COMTEX
EXHIBIT 44
UTSI - UTStarcom Guidance Conference Call to Discuss Anticipated Q3 and FY2004 Results

Event Date/Time: Sep. 20, 2004 / 11:00AM ET
Before we continue, I would like to remind everyone that some of the information we will discuss today constitutes forward-looking statements. Actual results could differ materially from our current expectations. To understand the risks that could cause results to differ, please refer to the risk factors identified in our latest annual report on Form 10-K, quarterly reports on form 10-Q and the current reports on form 8-K which are filed with the Securities and Exchange Commission.

Before I give the updated guidance, I will turn the call over to Hong to give a brief update on the progress in our ongoing globalization strategy. Hong?

Hong Lu - UTStarcom - President, CEO

Thank you, Mike. I would like to discuss the success and the challenges that we are facing in execution on our globalization strategy. As we have outlined to you on our prior conference call, the company is going through a very dynamic transformation. Our goal is to become the leader in providing diversified telecom solutions to rapidly growing markets worldwide. Our globalization strategy is crucial to becoming a dominant provider of telecommunications solutions.

China has and will continue to be a very important market for the company. Our presence in China provides UTStarcom with the advantage of the tremendous low-cost structured end scale that enables us to be very competitive in global markets. At the same time, building an international presence is essential as we expand our addressable markets and increase our long-term growth potential. It also proves (ph) to UTStarcom's overall profitability as we enjoy significantly higher margins outside of China.

The combination of a China and international market makes UTStarcom uniquely competitive in the global marketplace. I believe we have all the necessary pieces in place to achieve this goal. We have expanded our technologies, products and the global reach to ensure our long-term success. We're happy to see that our diversification effort has been successful. UTStarcom is experiencing strong demand in markets such as Japan, India and U.S. and Latin America, which I will address later. At the same time, we understand that the pass of such a fast pace of a growth may not always be smooth. While in the short-term there will be some lumpiness in the revenue from quarter-to-quarter, we are committed to delivering long-term growth to our shareholders, while also generating...
At the time we provided guidance for Q3 and the remainder of 2004 on the 27th of July, we had already received initial purchase orders for the equipment from Japan Telecom and it then based our guidance on those purchase orders. However, the original agreement was limited to equipment only. We had anticipated recording approximately 220 million revenues in the third and fourth quarters of 2004 against these purchase orders. However, over the course of the contract development, Japan Telecom increased the equipment value and added a strategic services element which increased the dollar amount and profitability of the contract to UTStarcom. But since those services are considered linked to the equipment, it ultimately leads to a longer period of time before we can recognize revenue. We now expect to recognize the entire 290 million of both equipment and services revenue in the second or third quarter of 2005.

The postponement of revenue recognition related to Japan Telecom contracts also has an impact on gross margins. Revenues under this contract carry gross margins of over 45 percent, substantially higher margins than our current PAS business.

Now I would like to turn to our revised guidance. To summarize the key factors behind today’s guidance revision were— one, the timing of international revenue recognition specifically related to a $290 million contract with Japan Telecom. This event was the primary contributor to our near-term guidance revision. However, as Hong stated earlier, as we deliver products to new international customers in the new global markets, we may continue to experience lumpiness in revenue recognition in the near-term as this International business scales. To a lesser degree, our guidance was also impacted by two other factors. Two, we expect maturing of the China PAS market will mean revenues from PAS and signor (ph) will be down slightly and could experience cyclicality from quarter-to-quarter as operators shift spending between infrastructure and handsets. And third, the continued pricing pressure in the handset market in China continues to pose near-term pressures on our PAS handset gross margins.

For 2004 and for the third quarter, we anticipate 590 to 600 million in revenue. We anticipate full-year 2004 revenues of approximately 2.55 billion for the core business, plus an additional 200 million from Audiovox for a total of 2.75 billion, an increase of approximately 40 percent over 2003. Previous gross margin guidance given for the third quarter assumed a higher percent of revenue mix from non-China sales. Gross margins for the third quarter should be approximately 22 to 23 percent. For the third quarter, we anticipate GAAP EPS of 2 to 4 cents and GAAP EPS of 80 to 85 cents for the full year 2004. For 2005, we anticipate approximately 25 percent growth in revenue for the core business, the Audiovox acquisition will add approximately 800 million in revenue and 15 cents earnings per share. Therefore, our guidance for 2005 is 4 to 4.3 billion in revenue and GAAP EPS of $2 to $2.20.

We understand that gross margins are a key metric and continue to focus on this area. We believe we will begin to see improvements in gross margins beginning in the first quarter of 2005 and believe these improvements are driven by three factors—one, the increase in non-China revenues as a percentage of sales which carry significantly higher margins; two, stabilization of infrastructure pricing in China and third, a large-scale cost reduction program in China which specifically includes the introduction of our own chips into our PAS handsets. We had originally anticipated significant non-China revenue ramping in Q3 and with that revenue recognition, timings will now occur in 2005. The ASICS will be reduced introduced in Q4, but significant financial impacts will be realized also in 2005.

In addition, also associated with the Japan Telecom contracts, we now anticipate the cash flow from operations to be positive for the second half and for the entire full year of 2004. We will provide more specific details on the financial performance and guidance on our upcoming Q3 earnings conference call scheduled for October 26th, 2004.

Before I give an update on 404 compliance, I would like to reiterate that really are we really are succeeding in our vision of globalization. And while it may take some time to be reflected on our financial statements, there are many other positive metrics that give us confidence in our 2005 targets and long-term global success. Here are some of metrics you can track going forward to measure our success and track our progress in the interim. One—booking announcements. Our book-to-bill ratio is about 1 for the first half of 2004. In addition, our year-to-date non-China bookings have reached 600 million. Two—wins with top-tier global carriers. Building on our strong relationships with China Telecom and China Netcom, we’re now providing solutions to 17 of the 20 top global operators, including Japan Telecom, Reliance, Sprint, Verizon, and Telmex. Three—continued subscriber demand in China. As we have said, targets indicate that there will be between 65 and 70 million PAS users by the end of 2004 and up to 100 million by the end of 2005. Four—handset market share. We have stabilized our handset market share in China at 55 percent. Our ASICS will be introduced in the fourth
quarter of 2004, which will drive gross margin improvements in 2005. You will also see the introduction of our first CDMA handsets in the United States and other markets, including China, India, and South America in the first quarter of 2005. We encourage you to track these measures over the next several quarters as they are indicative of our progress and will directly translate into improvements to our financial results.

Before I turn the call over to your questions, let me also give you a quick update on our work towards 404 compliance. When we issued our press release related to the filing of our second quarter financial statements, we stated that the company could not guarantee that it would be able to make the December 31st deadline for the 404 compliance component of the Sarbanes-Oxley Act. The company, our outside consultants Deloitte & Touche, and our auditors Price Waterhouse Coopers take the issues of 404 compliance very seriously. The company is committing a tremendous amount of resources and time into meeting the deadlines. Hong and I personally participate in weekly meetings to monitor the significant progress we’re making on both China and non-China business. We will continue to update the shareholder community with progress on our 404 compliance.

I would also like to make a comment on corporate governance. Addressing corporate governance, we also announced this morning that the company has achieved full Board requirement compliance with NASDAQ. With the resignation of Masayoshi Son from our Board of Directors, our Board of Directors is now comprised by a majority of outside independent directors.

Finally, I would like to point out that since these next several quarters will continue to be a dynamic period for the company, we will provide the investment community with periodic updates on the progress in executing on our globalization strategy.

In closing, I would like to reiterate management’s commitment to maintaining growth and profitability throughout this transformation and remaining focused on enhancing shareholder value while executing our vision. Now, we would like to open up the call for Q&A. Tina?

---

**Questions and Answers**

**Operator**

(Operator instructions) Jeff Kvaal, Lehman Brothers.

---

**Jeff Kvaal - Lehman Brothers - Analyst**

A question — could you talk to us a little bit about, sort of give us a little bit more resolution on where we are with the Audiovox phones and the certification process certainly in the U.S. and also with other carriers? Also, could you give us an update on what we should expect for you, in terms of increases in OpEx spending over the next several quarters until some of these contracts gain momentum? Thank you.

---

**Hong Lu - UTStarcom - President, CEO**

So, I will first answer that, our process of passing through — we’re going through CDG 1 and CDG2 and we’re just about at the beginning of this CDG 3, which was the operators. And so far, it has been progressing fairly smoothly and we also need to make sure that our — that the user interface has to comply with our each individual — the operators’ requirement as well. So those seem to be doing quite well. And I am sorry, the other part — (multiple speakers).

---

**Mike Sophie - UTStarcom - CFO**

On the OpEx spending, Jeff — and again, we want to manage our expenses very closely, so we’re looking at about 5 to 6 percent increases in OpEx spending on a quarterly basis as we continue to scale the business globally.

---

**Jeff Kvaal - Lehman Brothers - Analyst**

Okay, so that may change sort of your business model for this year, of course — your target operating margins — but for next year, you should be back in the range of 17 percent, which you had suggested previously?

---

**Mike Sophie - UTStarcom - CFO**

17 percent might be a little steep, but certainly, we are looking at achieving our operating margins target — it’s about 14 percent.
EXHIBIT 45
UTStarcom Reports Third Quarter 2004 Results

- Record Third-Quarter Revenues of $645.0 Million, an increase of 10 Percent Year-Over-Year
- GAAP Earnings of $5.0 Million, or $0.04 Per Share
- Positive Cash Flow From Operations of $98.9 Million
- Conference Call Today at 4:30 p.m. EDT/1:30 p.m. PDT.

ALAMEDA, Calif., Oct 26, 2004 /PRNewswire-FirstCall via COMTEX/ -- UTStarcom, Inc. (Nasdaq: UTSI), a global leader in IP access networking and services, today reported its third quarter revenues and earnings for the three months ended September 30, 2004.

The company will conduct a conference call today, Tuesday, October 26, 2004 to discuss these results. The call will take place at 4:30 p.m. EDT/1:30 p.m. PDT. (Please see Conference Call section below for dial-in numbers.)

"UTStarcom has further diversified its product portfolio and expanded its international customer base over the last quarter," said Hong Lu, chief executive officer of UTStarcom. "Product diversification and increased traction with tier-one carriers outside of China form the cornerstone of UTStarcom's transformation into one of the leading providers of innovative telecom solutions in the world. Demand for our solutions is strong, and this gives us confidence and visibility into our 2005 results. As we work to establish leading market share positions with our global customer base, we will also focus on cost reduction to improve gross margins and deliver long-term profitable growth to our investors."

Net sales for the third quarter of 2004 were $645.0 million, an increase of 10 percent over net sales of $584.4 million reported in the third quarter of 2003. Year-to-date net sales for the nine months ended September 30, 2004 were $1.96 billion, an increase of 48 percent over net sales of $1.32 billion reported for the nine months ended September 30, 2003.

Third quarter gross margins were 21.3 percent. Year-to-date gross margins for the nine months ended September 30, 2004 were 25.0 percent.

GAAP net income for the third quarter of 2004 was $5.0 million, or $0.04 per share. This compares to net income of $59.1 million, or $0.46 per share, for the third quarter of 2003. Year-to-date GAAP net income for the nine months ended September 30, 2004 was $103.6 million, or $0.78 per share. This compares to net income of $135.9 million, or $1.12 per share, for the nine months ended September 30, 2003.

Key Highlights for Q3 2004

Strong Financial Performance

- Record Q3 revenues of $645.0 million, an increase of 10 percent over Q3 2003
- Q3 international bookings of $200 million and $600 million September YTD

- Improved inventory turns of 2.9, up from 2.7 in Q2 2004
- Positive cash flow from operations of approximately $98.9 million

Key Customer Wins
- BSNL (India) - Total Control 1000, AN2000 IB
- Japan Telecom (Japan) - IAN-8000, NetRing(TM) optical solution
- China Telecom (China) - AN2000 IB
- Softbank (Japan) - GPON
- China Mobile (China) - NetRing optical solution
- Telmex (CALA) - AN2000 IB

Customer Milestones


6/1/2006
-- UTStarcom PAS subscribers in China reached approximately 34 million at the end of Q3, with total PAS subscribers in China estimated at approximately 60 million

-- More than 6.5 million lines of IP-DSLAM have been deployed globally to date

-- More than 55 million lines of mSwitch(TM) have been deployed globally to date

-- UTStarcom's participation as a key IP-DSLAM provider to Softbank has enabled the successful growth of Yahoo! BB's broadband and VoIP services. Approximately 4.5 million people had subscribed for Yahoo! BB broadband service and more than 4.2 million for the BB Phone service by the end of September 2004

-- UTStarcom's IP-based DSLAM and Total Control 1000 solutions are enabling a nationwide roll-out of a broadband access network by BSNL across 198 cities in India

-- Japan Telecom is deploying UTStarcom's iAN-8000 platform to build its next-generation network and deliver new services such as converged voice, data and WiFi over IP to all of Japan

Global Technology Leadership

-- Recognized as second-largest provider worldwide of next-generation softswitch ports and of packet voice gateways in second quarter of 2004 by Infonetics Research

-- Ranked world's second-largest IP-DSLAM provider in second quarter of 2004 by Infonetics Research and Synergy Research Group

-- Introduced high-density, scalable iAN-8000 multi-service access node, supporting TDM, IP-Enabled Voice, and Multimedia Services and integrates functionalities of DLC, VoIP media gateway, and IP DSLAM

-- Collaborated with China Netcom and China Telecom to achieve short message service interconnectivity for nationwide PAS service in China

-- Introduced mVision(TM) -- a comprehensive, end-to-end carrier TVoIP solution

Recent Accolades

-- Ranked #37 in FORTUNE's "100 Fastest Growing Companies" list for 2004

-- Selected for FORTUNE's Top 50 chart in the Investor's Guide 2004 issue

-- Named one of China's 100 largest companies of 2003 in FORTUNE International

Financial Guidance
Guidance for 2004 and 2005 is as follows:

| Revenue Range: | Q4 2004: | $375-$385 million* |
|               | FY 2004:  | $2.8 billion*      |
|               | FY 2005:  | $4.0 billion*       |

| Gross Margins: | Q4 2004: | 17% (core company 22%, ACC 4.5%) |
|               | FY 2004:  | 22%                           |
|               | FY 2005:  | 25%                           |

| GAAP EFS Range: | Q4 2004: | break-even |
|                | FY 2004:  | $0.76-$0.80 |
|                | FY 2005:  | $2.00      |

(*) Includes anticipated revenue of $250 million + in Q4 and full-year 2004 and $900 million in 2005 related
to the acquisition of Audiovox Communications Corporation)

In addition, UTStarcom is continuing a thorough review of and improvements to its internal controls as part of the Company's preparation for compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002. In order to achieve compliance by the December 31, 2004 deadline, UTStarcom must sufficiently document all internal controls procedures with respect to its financial reporting, fix any significant deficiencies with respect to its internal controls procedures, and test all internal controls procedures over a reasonable amount of time so that the Company's auditors can assess management's assertion as to the effectiveness of the Company's internal controls of financial reporting. While the Company is dedicating a significant amount of resources to achieve compliance, UTStarcom cannot guarantee that it will be able to comply with the requirements of Section 404 by the December 31, 2004 deadline.

UTStarcom takes its obligation to meet 404 compliance very seriously and is committed to the process. Some of the areas the Company is investing in to improve internal controls include continuing company wide implementation of Oracle ERP and MRP systems, and work with a leading consultant on supply-chain improvements. In addition, in the third quarter UTStarcom hired a chief accounting officer and a chief quality officer. Some of the challenges the Company faces are due to the tremendous amount of growth and expansion it has experienced in a short period of time, as well as the recent implementation of new business systems and continuing improvements to processes to support the Company's growth and improve controls such as Oracle ERP and supply-chain improvements. UTStarcom will continue its efforts and progress not only this year, but on an ongoing basis into 2005.

Conference Call

The company will conduct a conference call, which is open to the public, to discuss these results. The call will take place at 4:30 p.m. EDT/1:30 p.m. PDT. The conference call dial-in numbers are as follows: United States--888-398-3046; International--706-634-2492. The Conference Code is 1268033.

A replay of the call will be available from approximately 5:30 p.m. EDT on October 26, 2004 to 11:59 p.m. EDT on November 2, 2004. The conference call replay numbers are as follows: United States--800-642-1687; International--706-645-9291. The Access Code is 1268033.

Investors will also have the opportunity to listen to the conference call and the replay over the Internet through UTStarcom's web site at: http://investorrelations.utstar.com.

To listen to the live call, please go to the Web site at least 15 minutes early to register, and to download and install any necessary audio software. For those who cannot listen to the live broadcast, a replay will also be available on this site.

About UTStarcom, Inc.

UTStarcom is a global leader in IP access networking solutions and international service and support. The company sells its wireline, wireless, optical and switching solutions to operators in both fast growth and established telecommunications markets around the world. UTStarcom enables its customers to rapidly deploy revenue-generating access services using their existing infrastructure, while providing a migration path to cost-efficient end-to-end IP networks. Founded in 1991 and headquartered in Alameda, California, the company has research and design operations in New Jersey, China, and India. UTStarcom is a FORTUNE 1000 company.

For more information about UTStarcom, visit the company's Web site at www.utstar.com.

Forward-Looking Statements

This release includes forward-looking statements, including the foregoing statements regarding product diversification, increased traction with tier-one carriers outside of China, the Company's efforts to establish market share positions, reduce costs and improve gross margins, anticipated results of the Company's acquisitions, anticipated improvements in supply chain management, anticipated efforts to comply with Section 404 of the Sarbanes-Oxley Act of 2002 and the guidance given for anticipated gross margins, revenue and earnings per share for the fourth quarter and full-year of 2004 and for 2005. These statements are forward-looking in nature and subject to risks and uncertainties that may cause actual
results to differ materially. These risk factors include rapidly changing technology, the changing nature of
global telecommunications markets, both in China and globally, the termination of significant contracts,
the direction and results of future research and development efforts, evolving product and applications
standards, reduction or delays in system deployments, product transitions, potential non-realization of
backlog, changes in demand for and acceptance of the Company's products, general adverse economic
conditions, and trends and uncertainties such as changes in government regulation and licensing
requirements, both in China and globally. The Company also refers readers to the risk factors identified in
its latest Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-
K, as filed with the Securities and Exchange Commission.

UTStarcom, Inc.
Consolidated Statements of Operations
(In thousands, except per share amounts)
(Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>Three months ended</th>
<th>Nine months ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>$645,016</td>
<td>$584,382</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>507,882</td>
<td>398,280</td>
</tr>
<tr>
<td>Gross profit</td>
<td>137,134</td>
<td>186,102</td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Selling, general and administrative</td>
<td>74,916</td>
<td>57,371</td>
</tr>
<tr>
<td>Research and development</td>
<td>56,026</td>
<td>44,723</td>
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<tr>
<td>In process research and development</td>
<td>--</td>
<td>161</td>
</tr>
<tr>
<td>Amortization of intangible assets</td>
<td>3,639</td>
<td>3,081</td>
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<tr>
<td>Total operating expenses</td>
<td>134,581</td>
<td>105,536</td>
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<tr>
<td>Operating income</td>
<td>2,553</td>
<td>80,766</td>
</tr>
<tr>
<td>Interest and other income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(expenses)</td>
<td>1,295</td>
<td>(506)</td>
</tr>
<tr>
<td>Equity in loss of affiliated companies</td>
<td>(727)</td>
<td>(1,560)</td>
</tr>
<tr>
<td>Income before income taxes and minority interest</td>
<td>3,121</td>
<td>78,900</td>
</tr>
<tr>
<td>Income tax expense (income)</td>
<td>(1,906)</td>
<td>19,725</td>
</tr>
<tr>
<td>Minority interest in earnings of consolidated subsidiaries</td>
<td>(40)</td>
<td>(35)</td>
</tr>
<tr>
<td>Net income</td>
<td>$4,987</td>
<td>$59,140</td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td>$0.04</td>
<td>$0.58</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>$0.04</td>
<td>$0.46</td>
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<tr>
<td>Diluted earnings per &quot;If Converted&quot; share</td>
<td>$0.04</td>
<td>N/A</td>
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<tr>
<td>Weighted average shares used in per-share calculation:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic Shares</td>
<td>133,945</td>
<td>102,814</td>
</tr>
<tr>
<td>Diluted Shares</td>
<td>116,307</td>
<td>131,514</td>
</tr>
<tr>
<td>&quot;If Converted&quot; Shares</td>
<td>133,226</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Three months ended Nine months ended
1. The above unaudited financial statements include the following non-cash expenses:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of Sales</td>
<td>$2</td>
<td>$2</td>
<td>$7</td>
<td>$7</td>
</tr>
<tr>
<td>Selling, general and administrative</td>
<td>--</td>
<td>39</td>
<td>51</td>
<td>225</td>
</tr>
<tr>
<td>Research and development</td>
<td>83</td>
<td>121</td>
<td>277</td>
<td>3,005</td>
</tr>
<tr>
<td>Total stock compensation expense</td>
<td>$83</td>
<td>$162</td>
<td>$328</td>
<td>$3,237</td>
</tr>
<tr>
<td>Amortization of intangible assets</td>
<td>$4,102</td>
<td>$3,081</td>
<td>$10,569</td>
<td>$5,259</td>
</tr>
<tr>
<td>In-process research and development</td>
<td>$--</td>
<td>$161</td>
<td>$1,400</td>
<td>$10,809</td>
</tr>
<tr>
<td>Change in investment portfolio</td>
<td>$1,061</td>
<td>$257</td>
<td>$1,562</td>
<td>$380</td>
</tr>
</tbody>
</table>

2. Earnings per share

Basic earnings per share
Income available to common stockholders | $4,987 | $59,140 | $103,616 | $135,895 |

Effect of Dilutive Securities
7/8% Convertible Subordinated Notes | 816 | 1,098 | 2,663 | 2,473 |

Diluted earnings per share
Income available to common stockholders + assumed conversions | $5,803 | $60,238 | $106,279 | $138,368 |

* Certain reclassifications have been made to prior year balances in order to conform to the current year presentation.

UTStarcom, Inc.
Consolidated Balance Sheets
(In thousands)
(Unaudited)
September 30, 2004 | December 31, 2003

ASSETS
Current assets:
Cash, cash equivalents and short-term investments | $796,203 | $422,591 |
Accounts receivable, net | 691,160 | 324,921 |
Related parties accounts receivable, net | 46,339 | 43,944 |
Notes receivable | 24,877 | 11,362 |
Inventories, net | 439,412 | 257,038 |
Deferred costs/Inventories at customer sites under contracts | 168,903 | 558,977 |
Prepaid expenses | 79,849 | 136,262 |
Restricted cash and short term investments | 36,799 | 24,404 |
Other current assets | 41,113 | 52,408 |
Total current assets | 2,324,855 | 1,831,907 |
| Property, plant and equipment, net | 255,029 | 186,076 |
| Long-term investments | 25,428 | 24,066 |
| Goodwill and intangible assets, net | 174,037 | 144,232 |
| Other long term assets | 52,427 | 40,677 |
| **Total assets** | **$2,832,826** | **$2,226,958** |

**LIABILITIES AND STOCKHOLDERS' EQUITY**

**Current liabilities:**

| Accounts payable and short term debt | $513,010 | $251,176 |
| Income taxes payable | 16,783 | 16,780 |
| Customer advances | 279,631 | 458,654 |
| Deferred revenue | 57,574 | 44,958 |
| Other | 191,660 | 173,139 |
| **Total current liabilities** | **1,058,904** | **944,707** |
| Long-term debt | 402,500 | 402,500 |
| Minority interest in consolidated subsidiaries | 687 | 560 |
| **Stockholders' equity:** | | |
| Common stock | 143 | 11 |
| Additional paid-in capital | 1,115,433 | 653,624 |
| Deferred stock compensation | (7,233) | (7,761) |
| Retained earnings | 260,371 | 229,777 |
| Other comprehensive income | 2,021 | 3,420 |
| **Total stockholders' equity** | **1,370,735** | **879,191** |
| **Total liabilities and** | | |
| **stockholders' equity** | **$2,832,826** | **$2,226,958** |

**September 30, December 31,**

| 2004 | 2003 * |

**Inventories and deferred costs are made up of the following:**

| Inventories at factories | $124,244 | $166,075 |
| Inventories at customer sites | 115,168 | 90,963 |
| Inventories at customer sites under contracts | 168,903 | 558,977 |

**Total inventories and deferred costs** | **$608,315** | **$816,015** |

* Certain reclassifications have been made to prior year balances in order to conform to the current year presentation.

**SOURCE UTStarcom, Inc.**

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/Photo: NewsCom: [http://www.newcom.com/cgi-bin/prnh/20031229/UTSLOGO](http://www.newcom.com/cgi-bin/prnh/20031229/UTSLOGO)

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