FORM 10KSB

Annual and transition reports of small business issuers [Section 13 or 15(d), not S-B Item 405]

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FILER

CALYPSO WIRELESS INC

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SIC: **4813** Telephone communications (no radiotelephone)

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

FORM 10-KSB

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2004
Commission File No. 1-8497

CALYPSO WIRELESS, INC.
(Name of small business issuer in its charter)

Delaware	13-5671924
(State or jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

5753 N.W. 158 Street
Miami, Florida 33014
305-828-1483
(Address, including zip code and telephone number, including area code, of registrant's executive offices)

Securities registered under Section 12 (b) of the Exchange Act: NONE

Securities registered under to Section 12(g) of the Exchange Act:

Common Stock
(Title of class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Company was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ NO ☐

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

Yes ☐ NO ☒

Issuer's revenues for its most recent fiscal year: $0

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such stock, as of a specified date within the past 60 days: As of March 31, 2005: $40,756,576

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of December 31, 2004, there were 110,597,276 shares of the Company's common stock issued and outstanding.

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FORM 10 - KSB ANNUAL REPORT

CALYPSO WIRELESS, INC.

PART I

ITEM 1. DESCRIPTION OF BUSINESS.

Calypso Wireless, Inc. (the "Company" or "Calypso"), formerly Kleer-Vu Industries, Inc. (Kleer-Vu), was incorporated in the State of Delaware on March 22, 1983. The Company operates as a holding company with one subsidiary, Industria de Telecomunicaciones Americanas ATEL, S.A. (American Telecom Industries ATEL, S.A.), which was incorporated in 1997 under the Laws of the Republic of Costa Rica.

The Company is a result of a business combination on October 4, 2002, between Kleer-Vu Industries, Inc., a public shell company, and Calypso Wireless, Inc., a privately held development stage company incorporated in the State of Florida in 1998. Kleer-Vu acquired all of the outstanding capital stock of Calypso Wireless, Inc. by issuing 90,000,000 shares of its restricted common stock. For accounting purposes, the acquisition has been treated as the recapitalization of Calypso Wireless, Inc., with Calypso Wireless, Inc. being deemed the acquirer of Kleer-Vu in a reverse merger. At the conclusion of the merger, Calypso Wireless, Inc. stockholders held 99.8% of the combined company.

The Company intends to become a supplier and licensor of cellular broadband real time video phones, and other wireless devices supporting telecommunications infrastructure, which utilize our patented ASNAP™ technology (U.S. Patent Number: 6,680,923). ASNAP™ technology enables users of cellular phones, PCMCIA (Personal Computer Media Interface Card Accessory) cards and other wireless devices to seamlessly roam between existing cellular WAN (Wide Area Network's GSM/GPRS (Global System for Mobile Communications/General Packet Radio Service) or CDMA (Code Division Multiple Access) and WLAN (Wireless Local Area Networks) utilizing the 802.11 Wi-Fi standard (Wireless Fidelity). We believe we are currently the only company offering the wireless telephone and data service provider (mobile carriers) with technology that effectively integrates traditional cellular telephone systems and internet broadband access through WLAN (cellular, broadband, real time, video phones, WLAN access points and call-control media gateways).

Calypso believes its technology will be a permanent solution to delivering broadband real time video conference, data and voice to mobile phones since the current cellular network capacity is limited by the available radio spectrum and network infrastructure. The cellular network capacity can be improved by using Calypso' patented technology and providing short-range wireless networks (via use of WLAN, embedded within the larger cellular coverage areas).

Calypso envisions that the ASNAP™ technology will become the de-facto standard for all smart cellular phones and mobile devices of the future.

Calypso expects to receive substantial revenue through the sales of its cellular broadband real time video phones, WLAN access points, call-control media gateways and related software products and also through the licensing of it's technology to original equipment manufacturers (OEMs).

THE COMPANY'S PRODUCTS AND SERVICES

As mentioned above, we intend to become a supplier and licenser of cellular broadband real time video phones, and other wireless devices and supporting telecommunications infrastructure, which utilize our proprietary ASNAP™ technology. Calypso's ASNAP™ patented technology enables users of wireless cellular phones, laptop computers and other wireless personal computing devices to increase the wireless bandwidth from the current 9.6 - 14.4 thousand bits per second (Kbps) data transmission rate of the cellular network (cell towers) to more than 11 million bits per second (Mbps) on the WLAN network.

The Company believes that cellular phones incorporating Calypso's patented ASNAP™ technology will have superior performance to existing cellular phone because they will have broadband real time two way video connectivity with high resolution color displays and 30 frames per second video connectivity.

Calypso plans to sell the following products:

- Cellular Broadband Real Time Video Phone with ASNAP™.
- Advanced Wireless Access Point.
- PCMCIA Card for laptop users.
- Software for the Cellular Operators and Internet Service Providers (ISP).

In addition, Calypso plans to license its patented technology for the following markets:

- Original equipment manufacturers (OEMs) in the following areas: Cellular phones, WLAN access points, laptops computers, personal computers, personal digital assistances (PDAs), network servers, call-control media gateways, telecommunication equipments, microprocessor manufacturers.

- Service providers such as: Cellular operators, telecom operators and Internet Service Providers (ISPs).

Also the Company has developed a new patent-pending technology that will allow users of mobile devices such as cellular phones, PDAs, satellite radios and portable music players, such as Apple Computer's iPod, to receive satellite broadcasts on those devices from either Satellite transmitters or wireless LAN access points, such as WiFi.
Calypso built upon its patented technology to create a new application, which could allow satellite radio signals from carriers such as XM Satellite Radio and Sirius Satellite Radio to be readily received by all types of mobile wireless devices, thus generating a new potential revenue stream for the satellite radio companies and the companies supplying service to mobile phones and devices, the manufacturers and retailers of those devices, as well for the licensing of this technology by Calypso.

INDUSTRY BACKGROUND

Demand for the Company's Products and Services

Today's wireless device market presents several gaps that need to be filled in order to satisfy the desires and needs of wireless device users. In 2004, over 600 million cellular phones were sold worldwide.

In 1997, there were approximately 206 million cellular subscribers worldwide. In 2003, cellular subscribers worldwide grew to over one billion users. Today's users are becoming ever more sophisticated and educated about the technology of their devices and services. Users expect greater capabilities at reduced cost. Cellular telephone services providers (Mobile Carriers) have faced difficulties in providing quality wireless telephone and data communication services at prices acceptable to end-users while maintaining profitability.

Forecasts were completed during the first half of 2004 by Gartner, Inc. and projections state that annual sales could reach 650 million units as a result of higher-than-expected demand in some markets, especially Latin America.

African Markets Will Grow Fastest

The global market for mobile terminals will continue to increase strongly during the forecast period. It will be characterized by two distinct trends: new growth in emerging markets and sales of replacement handsets in mature markets.

In regions with emerging markets, such as Africa, Asia/Pacific, Latin America and the Middle East, growth is expected to continue throughout the forecast period. Unit sales in Africa will rise at a compound annual growth rate (CAGR) of 16.2 percent between 2004 and 2008. Sales in the Middle East will grow at a CAGR of 10.4 percent over the same period.

In mature markets like North America and Western Europe, more moderate growth is expected. By the end of the forecast period, the number of net sub-scriber additions is expected to be negligible, any growth should be consid-ered exceptional, as it will caused by replacement sales alone. A cyclical pattern will emerge in Western Europe. Demand will slow in 2006, but pick up again in 2007 and 2008 as subscribers buy replacement phones based on wideband code division multiple access (WCDMA) technology.

Asia/Pacific will continue to be the world's largest market for mobile termi-nals. Over 1.3 billion phones will be sold in the region between 2004 and 2008. North America is expected to overtake Western Europe in 2006 to become the second-biggest market.

Smartphones Become More Popular, But Enhanced Models Dominate

The enhanced phone category will remain the largest segment of the market, accounting for 564.6 million units in 2008, or 74 percent of all sales. Sales of basic phones will fall from 134.7 million units in 2004 to 41.2 million units in 2008.

Smartphones will be the fastest-growing segment. With a CAGR of 52.4 percent, they are one of the biggest growth opportunities for mobile terminal vendors over the next five years. Sales will exceed 150 million units in 2008, which is almost a fifth of the market. Given the higher average selling price and margins of these products, it is likely that manufacturers will eye this segment with interest.

GSM Remains the Dominant Technology

In 2008, terminals based on GSM technologies will still make up the largest part of the market Terminals using GSM, general packet radio service (GPRS) and Enhanced Data Rates for Global Evolution (EDGE) will account for 436 million units, which is 57 percent of the total market. Code division multi-ple access technologies (CDMA IS-95, CDMA 1x, CDMA 1xEV-DO and CDMA 1xEV-DV) will account for 151.3 million units (20 percent of the market), and sales of WCDMA terminals will hit 162.4 million (21 percent).

WCDMA is expected to be the fastest-growing technology segment, with a CAGR of 82.1 percent between 2004 and 2008. There will be 50 WCDMA net-works in operation by the end of 2004, and this will rise to over 120 by the end of 2006. Most of these networks will be deployed in mature markets, which will fuel sales of replacement handsets.

The second fastest-growing technology segment is EDGE, with a CAGR of 69.7 percent. By 2008, about one in six new terminals will have EDGE capabil-ity. CDMA2000 1xEV-DO is expected to be the third fastest-growing technol-ogy. Sales will grow rapidly between 2004 and 2006 as network deployment accelerates

The key difference between Calypso and its competitors is its patented ASNAP™ technology, which allows Calypso to deliver cellular broadband real time video phones and other mobile devices (PCMCIA Cards for Laptops) that will offer both users and Mobile Carriers increased bandwidth at lower cost. This is accomplished through Calypso’s unique mobile device and infrastructure software routing architecture design. The user saves money by often using a WLAN and Internet connectivity for real time two way video conferencing, voice and data communications for its mobile devices. The service provider saves money by being able to increase capacity to the existing and future cellular network (mobile network) while also offering increased bandwidth and additional services via the WLANs (Wireless Local Area Network) without the need to immediately replace existing hardware or purchase additional frequency spectrum required for third generation wireless technology ("3G technology"). ASNAP™ technology delivers higher wireless bandwidth and Internet connectivity than any others wireless technology. Our technology is not dependant on the improved cellular 3G technologies but will complement and improve the performance of these as they become available. We believe that the demand for products (cellular broadband real time video phones, WLAN Access Points and PCMCIA Cards) incorporating our patented ASNAP™ technology is expected to increase as users learn of the advantages of the system and of the convenience of inexpensive high bandwidth.

The ASNAP™ patented solution is a switching algorithm between network access points and the cellular towers based on the availability of the least costly, most efficient connection. This is accomplished by incorporating two technologies into a single wireless device (mobile-cell phone, PCMCIA Cards, PDAs); long-range cellular network access, and short range WLAN (Wireless Local Area Network) access (via WLAN).

If the user is within 100-450 yards of a Calypso’s stand alone WLAN Access Point connected to the Internet, the user will access the cellular service provider’s network via the Internet. If the user drifts out of range of a WLAN Internet connection, then the wireless device (or smart phone) switches to a WAN (Wide Area Network), such as a cellular network. The device is constantly “sniffing” the airwaves for access to its service provider’s network through the most cost efficient and spectrum efficient method - a WLAN connection.

The Company believes that it's patented technology will provide the following benefits to both end-users and Mobile Carriers:

1. Higher Bandwidth without High Cost of Deployment. Calypso's products make possible a less expensive wireless broadband Internet connectivity through ASNAP' technology.

2. Fast Wireless Internet Access - ASNAP' technology delivers more than 11Mbps for real time two way video conferencing, voice and data fast Internet connectivity while improving bandwidth of the existing and future 2.5G and 3G cellular networks.

3. Large, High Quality Color Display - The Company believes that users want, and OEMs are manufacturing, cellular phones with larger color displays to bring more hand-held PC functionality to the cellular phones. Calypso's patented ASNAP™ technology supports large color displays and provides greater computing power.

4. Improve Quality of Service - The Company believes its products will result in fewer dropped calls and lost connections.

5. Increase Capacity in the Cellular Network - Cellular phones with ASNAP™ technology should represent large savings for Mobile Carriers by allowing the addition of more users to their existing networks without having to add significant new infrastructure hardware, or purchase additional frequency spectrum, since a large percentage of its users will be accessing the mobile network via WLAN access points (public or private).

6. Wireless Advertisement - Our ASNAP™ technology should facilitate and accelerate wireless advertising through the increased bandwidth and locating capabilities of the Calypso's cellular broadband real time two way video phone. The locating capabilities will allow for targeted advertising.

We believe that our cellular broadband real time two-way video conferencing phone will fulfill the market needs for the mobile user and Mobile Carriers who are currently seeking:

- services that deliver and/or transmit information faster, which means new types of services could be offered;
- services at a higher profit margin; and
- services which are geographically broader and more consistent.

We believe that Calypso's products will enable Mobile Carriers to deliver faster data transmission to cellular phones, PDA's and laptop computers, allowing delivery of new and better services. Standard cellular phones typically transmit and receive data at a rate in the range from 14.4 Kbps to 56 Kbps. In contrast, Calypso's cellular phones operating in "ASNAP™" mode can transmit and receive data at a rate of approximately 11 Mbps or greater when connecting to the WLAN.

New high-speed mobile technologies, such as GSM/GPRS and CDMA 2000, only promise bandwidths from 56kbps to 144kbps; with higher 3G bandwidths projected for the mass markets after 2006.

Mobile Carriers using Calypso's patented technology are able to deliver new services without replacing the existing cellular network, which should increase the average revenue per user (ARPU) of Mobile Carriers.

Any access point with ASNAP™ software will allow customers to access their mobile carrier's network from anywhere in the world.

DISTRIBUTION AGREEMENT

On April 20, 2005, Calypso entered into a distribution agreement with Franc Telecom, LTD. The company, located in London, England, has been granted an exclusive distributorship for the United Kingdom, subject to the requirement to place orders for a minimum of 100,000 cellular broadband GSM/Wi-Fi phones within the first three months of the agreement and an additional 150,000 units within the first contract year.

The distribution agreement provides that Franc Telecom is required to establish, in favor of Calypso, an irrevocable letter of credit for each purchase order, with appropriate draw down provisions, from a respectable EU bank acceptable to Calypso. Calypso will conduct a demonstration of the WiFi/Cellphone on or about May 16, 2005 and expects to begin delivery of the phones during the fourth quarter of 2005.

SUPPLIERS

The Company intends to rely on third party suppliers for microprocessors, such as Intel and Texas Instruments for, displays and other electronic components that will be use in our products.

COMPETITORS

We may face competition in the wireless device market from a variety of companies and technologies, some of which are larger, have longer operating histories, have substantially greater financial, technical and marketing resources, larger customer bases, greater name recognition and more established relationships in the industry than we have. Consequently, these competitors can devote greater resources to the development, promotion, sale and support of their products. We believe that our key competition will come from existing companies that currently market products and services that provide communication with wireless communication devices. While we believe that our patented ASNAP™ technology provides numerous benefits to, and is a superior solution for, both end-users and Mobile Carriers, primarily based upon the fact that our technology enables users of wireless communication devices to seamlessly roam between existing cellular systems (i.e., WAN's- Wide Area Network's, GSM/GPRS - Global System for Mobile Communications/General Packet Radio Service, or CDMA - Code Division Multiple Access) and internet broadband access through WLAN (Wireless Local Area Networks), there can be no assurance that these benefits will be realized or utilized, or that other companies will not suitably improve these parameters through the use of other technology.

Calypso's products are based on patented technology (U.S. Patent Number: 6,680,923). Based on this patented technology and our knowledge of wireless products and technology, we believe that there are currently no other companies that offer this type of solution. Furthermore, we believe that once mobile carriers are marketing our real time two way video conferencing cellular phone, we will be in a favorable position to begin licensing the use of our patented ASNAP™ technology to other original equipment manufacturers (OEM's) that manufacture cellular phones, WLAN access points, laptops computers, personal computers, personal digital assistants (PDA's), network servers, call-control media gateways, telecommunication equipment, and microprocessors.

CONTRACT MANUFACTURING & DISTRIBUTION FACILITIES

We anticipate that manufacturing and supply operations of our products will be conducted initially through third parties.

The distribution facility and logistics will be handled through FedEx, UPS and/or another third party that has a logistics group that offers "turn-key" operations and services directly applicable to the distribution of high volume products.

PATENTS AND PROPRIETARY RIGHTS

Calypso Wireless received a patent for its technology (U.S. Patent Number: 6,680,923) on January 20, 2004. Our patent covers a communication and system method for establishing communication with any one of a variety or different wireless communication devices. This technology enables users of cellular phones, PCMCIA (Personal Computer Media Interface Card Accessory) cards and other wireless devices to seamlessly roam between existing cellular WAN (Wide Area Network's) GSM/GPRS (Global System for Mobile Communications/General Packet Radio Service) or CDMA (Code Division Multiple Access) and WLAN (Wireless Local Area Networks) utilizing the 802.11 Wi-Fi standard (Wireless Fidelity).

The Company pursues patent protection for its technology and products as soon as such technology and products are developed. To this end, we have filed United States patent applications and related technology international patent applications. The Company has filed foreign patent applications on some of its technology and products in countries where business considerations warrant such fillings. Such countries include Australia, Japan, Canada, China, Brazil, and Mexico, countries of the European Economic Community and other European countries.

We also rely on proprietary technology, trade secrets, and know-how, which are not patented. To protect our rights in these areas, the Company requires its employees, directors, consultants, members of the Advisory Board, outside engineers and other advisors to execute confidentiality agreements upon the commencement of employment, consulting or other contractual relationships with the Company. These agreements provide that all confidential information developed or made known to the individual during the course of the relationship is to be kept confidential and not disclosed to third parties except in specific circumstances. In the case of employees, the agreements provide that all inventions conceived by the individual shall be the exclusive property of the Company. There can be no assurance, however, that these agreements will provide meaningful protection for our trade secrets, know-how or other proprietary information in the event of any unauthorized use, misappropriation or disclosure of such trade secrets, know-how or other proprietary information.

We believe that our intellectual property gives us an advantage over potential competitors in that it will allow us to offer products that bring substantial savings to both the end users and the mobile service providers (cellular operators).

The company has filed for patent protection covering an extension of its technology to allow users of mobile devices such as cellular phones, pda’s, satellite radios and portable music players, to receive satellite broadcasts on those devices from either satellite transmitters or wireless LAN access points, such as WiFi. Calypso built upon its patented technology to create a new solution that allows satellite radio signals from carriers such as XM Satellite Radio and Sirius Satellite Radio to be readily received by various types of wireless devices.

Employees

The Company currently has approximately 50 employees. The Company estimates that an additional 20 employees will be hired over the next twelve months. We have not experienced any work stoppages and consider our relations with our employees to be good.

ITEM 2. DESCRIPTION OF PROPERTY

The Company’s corporate office and its research and development department are located in a leased facility in Miami Lakes, Florida. At this location, the Company leases approximately 4,450 square feet of office space under a lease expiring September of 2005. The company's current annual rent under this lease is approximately $64,000. The Company expanded its operations by opening a new research center located in Akron Ohio during the second quarters of 2004. The Company's annual rent under this lease is approximately $17.600.

The Company’s manufacturing process will be outsourced to an independent contractor and under a contract manufacturing agreement.

ITEM 3. LEGAL PROCEEDINGS

On January 12th, 2005, the company retained the prominent Miami Law firm of Bierman, Shohat, Lowey & Pizzi to oversee all of the company's litigation and also to advise on our legal affairs. This will allow the company to efficiently streamline its litigation and save cost.

On March 1, 2005, the Company successfully completed litigation against various individuals in a thwarted effort to obtain several million shares of the company predicated upon consulting agreements approved by a former President. Because no consulting work was ever done and the agreements were not appropriate, the company was able to cancel the shares, and conclude the litigation in a manner that benefited the company and the shareholders. The agreements had been approved by former president Patrick Lannen, the initial president after the reverse merger between Kleer Vu and Calypso. The company is suing Mr. Lannen to recover damages for any harm caused the company by his actions.

On April 1, 2005, the company terminated the services of the law firm of Sears & Crawford for not performing up to the company's expectations and a possible conflict of interest. Sears & Crawford are seeking arbitration to obtain their legal fees; the company has responded that they are not entitled to any fees because they did not perform.

On April 25, 2005 a lawsuit filed by Calypso consultant Doug Sanders has been amicably settled in a manner that serves the mutual benefit of the company and Mr. Sanders.

On November 5, 2004, Draico Daic d/b/a Tribeca Inc, filed a lawsuit against the Company, which is pending in Houston Texas. The company has hired new counsel with direction to expeditiously resolve the matter through settlement or summary judgment.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of security holders during the fourth quarter of 2004.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

The Company's common stock is traded under the symbol "CLYW", The Company's authorized capital stock consists of 200,000,000 shares of common stock, $.001 par value, of which 110,597,276 shares were issued and outstanding as of December 31, 2004.

QUARTERLY COMMON STOCK PRICE RANGES

	2004		2003	
Quarter	High	Low	High	Low
1st	5.26	1.05	5.10	2.00
2nd	3.99	1.94	4.00	1.00
3rd	1.84	.077	2.00	1.05
4th	1.26	0.70	1.47	0.66

As of December 31, 2004, there were approximately 1,585 holders of record of the Company's common stock. The number of stockholders of record does not necessarily reflect the number of beneficial owners of the Company's common stock; however, because many beneficial owners may hold shares through nominee holders, such as brokerage firms which, in turn hold through the nominee of a securities clearing organization, such as The Depository Trust Company. Thus, a single stockholder of record may represent numerous beneficial owners.

The Company has never paid any cash dividends in the past and anticipates that for the foreseeable future all earnings, if any, will be retained to finance growth and to meet working capital requirements.

On October 4, 2002, the Company exchanged 90,000,000 shares of its common stock, par value $.001 per share, in consideration for all outstanding stock of Calypso Wireless, Inc., a Florida corporation ("CWF"). Prior to the exchange, thirty-five individuals and corporations held all of the stock of CWF. The Company participated in the sale pursuant to Rule 506 of Regulation D.

Recent Issuances of Unregistered Securities

During the fourth quarter for the year ended December 31, 2004, the Company sold to accredited investors an aggregate of 100,000 shares of common stock for an aggregate purchase price of $55,000. This offering and sale was deemed to be exempt under Rule 506 of Regulation D and Section 4(2) of the Securities Act. No advertising or general solicitation was employed in offering the securities. The offerings and sales were made to accredited investors and transfer was restricted in accordance with the requirements of the Securities Act of 1933.

ITEM 6. MANAGEMENT DISCUSSION AND ANALYSIS OF PLAN OF OPERATION

INTRODUCTION

The following discussion of our financial condition and results of our operations should be read in conjunction with the Financial Statements and Notes thereto. Our fiscal year ends December 31. This document contains certain forward-looking statements including, among others, anticipated trends in our financial condition and results of operations and our business strategy. (See "Factors Which May Affect Future Results"). These forward-looking statements are based largely on our current expectations and are subject to a number of risks and uncertainties. Actual results could differ materially from these forward-looking statements. Important factors to consider in evaluating such forward-looking statements include (i) changes in external factors or in our internal budgeting process which might impact trends in our results of operations; (ii) unanticipated working capital or other cash requirements; (iii) changes in our business strategy or an inability to execute our strategy due to unanticipated changes in the industries in which we operate; and (iv) various competitive market factors that may prevent us from competing successfully in the marketplace.

Overview

The Company intends to become a supplier and licensor of cellular broadband real time video phones, and other wireless devices supporting telecommunications infrastructure, which utilize our patented ASNAP™ technology (U.S. Patent Number: 6,680,923). ASNAP™ technology enables users of cellular phones, PCMCIA (Personal Computer Media Interface Card Accessory) cards and other wireless devices to seamlessly roam between existing cellular WAN (Wide Area Network's GSM/GPRS (Global System for Mobile Communications/General Packet Radio Service) or CDMA (Code Division Multiple Access) and WLAN (Wireless Local Area Networks) utilizing the 802.11 Wi-Fi standard (Wireless Fidelity). We believe we are currently the only company offering the wireless telephone and data service provider (mobile carriers) with technology that effectively integrates traditional cellular telephone systems and internet broadband access through WLAN (cellular, broadband, real time, video phones, WLAN access points and call-control media gateways). Also the Company has filed for a provisional extension of its existing patent, that will allow users of mobile devices such as cellular phones, pda's, satellite radios and portable music players, to receive satellite broadcasts on those devices from either Satellite transmitters or wireless LAN access points, such as WiFi.

Calypso built upon its patented technology to create a new application, which could allow satellite radio signals from carriers such as XM Satellite Radio and Sirius Satellite Radio to be readily received by various wireless devices, thus generating a new potential revenue stream for the satellite radio companies, the companies supplying service to mobile phones and devices, the manufacturers and retailers of those devices, as well for the licensing of this technology by Calypso.

Company History

The Company is a result of a business combination on October 4, 2002, between Kleer-Vu Industries, Inc., a public shell company, and Calypso Wireless, Inc., a privately held development stage company incorporated in the State of Florida in 1998. For accounting purposes, however, the acquisition has been treated as the recapitalization of Calypso Wireless, Inc. with Calypso Wireless, Inc. deemed the acquirer of Kleer-Vu in a reverse merger.

As noted above, the Company is a development stage company. The company has been in the development stage since inception of its wholly owned subsidiary; Industria de Telecomunicaciones Americanas ATEL, S.A. (American Telecom Industries ATEL, S.A.) was incorporated in 1997 under the Laws of the Republic of Costa Rica. American Telecom Industries ATEL, S.A. began its research and development activities in 1997. To date, the Company subsidiary has expended over $5.4 million on research and development of the Company's products. In January 1999, the Company engineers determined that the products were technologically feasible. Subsequent to the determination of technological feasibility, the Company has expended approximately $4.7 million to develop the product to its current stage.

Capital Expenditures

Since 1997, the Company has expended over $4.1 million on machinery and equipment. The machinery and equipment is located in a manufacturing plant in Managua, Nicaragua, Central America. The machinery and equipment for production of the products had not been placed in service as of December 31, 2004. During 2004, the Company decided to outsource the production of the products to independent contractors; therefore the machinery and equipment purchased specifically for the production of the telephones and other related products was written down to the net realizable sales value, estimated to be approximately $576,000, resulting in a impairment charge in the amount of $3,446,411.The $576,000 estimated sales value of the machinery and equipment was reclassified to a separate line item in the current assets section of the balance sheet as of December 31, 2004. This evaluation of long-lived assets is consistent with our accounting policy on "Impairment of Long-Lived Assets as noted in note 1 to the financial statements.

Research and Development

As noted above, the Company research and development activities were completed during the first quarter of 1999, when the technological feasibility of the products was established. The Company has expended a total of $10.1 million on research and development and development of the products to its current stage.

Results of Operations - Year Ended December 31, 2004 compared to Year Ended December 31, 2003

Revenues

To date the Company has not generated any revenue related to the sale of the Company's products, however the Company entered into a distribution agreement with Franc Telecom, LTD. Pursuant to the distribution agreement, Franc Telecom has, subject to certain material terms and conditions, been appointed exclusive distributor for the United Kingdom. The distributor has the requirement to place orders for a minimum of 100,000 cellular broadband GSM/Wi-Fi phones within the first three months of the agreement and an additional 150,000 units within the first contract year. Failure by the distributor to complete the purchase requirements will result in cancellation of the exclusive distributorship.

The distribution agreement provides that Franc Telecom is required to establish, in favor of Calypso, an irrevocable letter of credit for each purchase order, with appropriate draw down provisions, from a respectable EU bank acceptable to Calypso. Calypso will conduct a demonstration of the WiFi/Cellphone on or about May 16, 2005 and expects to begin delivery of the phones during the fourth quarter of 2005.

Operating Expenses

Operating Expenses incurred for the year ended December 31, 2004, aggregated $8,002,451 as compared to $ 3,326,702 for the year ended December 31, 2003. Our operating expenses increased by $4,675,749 for the year ended December 31, 2004 when compared to the previous year. This increase is due to legal, consulting, professionals services expenses and an impairment charge in the amount of $3,446,411 to write down the value of the machinery and equipment to its net realizable sales value.

Net Loss and Loss Per Share

The net loss was $8,002,451 for the year ended December 31, 2004, as compared to a restated net loss of $3,202,702 for the year ended December 31, 2003. The net loss increased by $4,675,749 from the previous period primarily as a result of the reasons set forth above. For the years ended December 31, 2004 and 2003, the net loss per share were $0.07 and $0.03, respectively.

Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements for the fiscal year ending December 31, 2004.

Liquidity and Capital Resources

At December 31, 2004, we had a working capital deficit of $125,238 as compared with a working capital of $172,704 at December 31, 2003. Subsequent to December 31, 2004, the Company raised $1,000,000 in a private placement offering for working capital purposes. In addition, the Company has signed subscription agreements to raise an additional $2,000,000. Additionally, the Company is completing a Private Placement Memorandum to raise additional funds.

The Company requires approximately 7 million to complete the manufacturing process and begin shipment of the products. Our material funding requirements of $7 million include working capital, marketing costs, product acquisition costs, general and administrative costs, and the purchase of inventory and technology.

The Company signed two procurement agreements to deliver its smart real-time two-way video conferencing cellular phones, and is currently negotiating additional procurement agreements to deliver the cellular phones. The Company expects to begin shipping its products during the fourth quarter of 2005.

We have historically sustained our operations and funded our capital requirements with the funds received from the sale of our common stock. To date, the Company's investors have contributed over $14.4 million in cash and approximately $6,000,000 in services, in consideration for the issuance of stock.

The Company is currently negotiating debt and/or equity financing arrangements to provide an alternative source for its future capital needs. However, there can be no assurance that will be able to obtain this capital on acceptable terms, if at all. In such an event, this may have a materially adverse effect on our business, operating results and financial condition.

The preparation of financial statements in conformity with generally accepted accounting principles require the appropriate application of certain accounting policies, many of which require us to make estimates and assumptions about future events and their impact on amounts reported in the financial statements, and related notes. Since future events and their impact cannot be determined with certainty, the actual results will inevitably differ from our estimates. Such differences could be material to the financial statements.

We believe application of accounting policies, and the estimates inherently required by the policies, are reasonable. These accounting policies and estimates are periodically reevaluated, and adjustments are made when the facts and circumstances dictate a change. Historically, we have found the application of accounting policies to be appropriate, and the actual results have not differed materially from those determined using necessary estimates.

Our accounting policies are more fully described in Note 1 to the consolidated financial statements, located elsewhere in this 10-KSB. We have identified certain critical accounting policies that are described below.

Software development costs represent capitalized costs incurred in the development of the cellular phones and telecommunications infrastructure software. The Company began capitalizing this cost once technological feasibility had been established during the first quarter of 1999. All costs incurred prior to establishment of technological feasibility were expensed as research and development expenses. The Company will begin amortizing this cost once the products are available for general release to customers.

New Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 153. This statement addresses the measurement of exchanges of nonmonetary assets. The guidance in APB Opinion No. 29, “Accounting for Nonmonetary Transactions,” is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged.

The guidance in that opinion; however, included certain exceptions to that principle. This statement amends Opinion 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. This statement is effective for financial statements for fiscal years beginning after June 15, 2005. Earlier application is permitted for nonmonetary asset exchanges incurred during fiscal years beginning after the date of this statement is issued. Management believes the adoption of this statement will have no impact on the financial statements of the Company.

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 152, which amends FASB statement No. 66, “Accounting for Sales of Real Estate,” to reference the financial accounting and reporting guidance for real estate time-sharing transactions that is provided in AICPA Statement of Position (SOP) 04-2, *“Accounting for Real Estate Time-Sharing Transactions*.” This statement also amends FASB Statement No. 67, “Accounting for Costs and Initial Rental Operations of Real Estate Projects,” to state that the guidance for (a) incidental operations and (b) costs incurred to sell real estate projects does not apply to real estate time-sharing transactions. The accounting for those operations and costs is subject to the guidance in SOP 04-2. This statement is effective for financial statements for fiscal years beginning after June 15, 2005. Management believes the adoption of this statement will have no impact on the financial statements of the Company.

In November 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 151, “Inventory Costs— an amendment of ARB No. 43, Chapter 4.” This statement amends the guidance in ARB No. 43, Chapter 4, “Inventory Pricing,” to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). Paragraph 5 of ARB 43, Chapter 4, previously stated that “under some circumstances, items such as idle facility expense, excessive spoilage, double freight, and rehandling costs may be so abnormal as to require treatment as current period charges.” This statement requires that those items be recognized as current-period charges regardless of whether they meet the criterion of “so abnormal.” In addition, this statement requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. This statement is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. Management does not believe the adoption of this statement will have any immediate material impact on the Company.

In May 2003, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 150, *“Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity”* (hereinafter *“SFAS No. 150*”). SFAS No. 150 establishes standards for classifying and measuring certain financial instruments with characteristics of both liabilities and equity and requires that those instruments be classified as liabilities in statements of financial position. Previously, many of those instruments were classified as equity. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003 and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company has determined the adoption of this statement will have no effect on the Company’s financial statements.

SFAS 149 — In April 2003, the FASB issued SFAS 149, Amendments of Statement 133 on Derivative Instruments and Hedging Activities. SFAS 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts and hedging activities under SFAS 133, Accounting for Derivative Instruments and Hedging Activities. In general, this Statement is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The adoption of SFAS 149 did not have an impact on the Company’s financial condition or results of operations.

In January 2003, the FASB issued SFAS No. 148, “Accounting for Stock-Based Compensation - Transition and Disclosures.” This statement provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement also amends the disclosure requirements of SFAS No. 123 to require more prominent and frequent disclosures in the financial statements about the effects of stock-based compensation. The transitional guidance and annual disclosure provisions of this Statement were effective for the December 31, 2002 financial statements.

ITEM 7. FINANCIAL STATEMENTS

The Company's Consolidated Financial Statements, Notes to Consolidated Financial Statements and the report of R. E. Bassie & Co., independent auditors, with respect thereto, referred to in the Index to Financial Statements, appear elsewhere in this Form 10-KSB, beginning on Page F-1.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

NONE.

ITEM 8A. CONTROLS AND PROCEDURES

The Company has acted to improve, and will continue to strengthen, certain corporate governance procedures and certain disclosure controls and procedures. As part of this commitment, we have initiated a number of steps, including those in response to the Sarbanes Oxley Act of 2002 and corresponding SEC requirements. Specific action taken or planned by us includes the following:

We are conducting a comprehensive review of the adequacy of our policies and procedures with respect to the administration of our equity compensation plans (including stock grants, stock option and warrant plans) and purchases and sales of our securities.

We had initiated an insider trading policy and are requiring all employees, officers and directors to read and sign an acknowledgement that they have read the policy, understand its contents and agree to abide by its terms as a condition of employment or association with the Company.

We are implementing a Section 16 reporting program for officers, directors and 10% beneficial owners to advise those persons of their reporting responsibilities and to make arrangements for filing timely reports in the event a reportable transaction occurs.

Our Chief Executive Officer and Chief Financial Officer, within the ninety (90) calendar days prior to the date of this report, carried out an evaluation of the effectiveness of the company's disclosure controls and procedures pursuant to Rule 13a-14 under the Securities Exchange Act of 1934, as amended. Based upon the steps outlined in the preceding paragraph, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the date of their evaluation, the company's disclosure controls and procedures are effective and designed to insure that material information relating to us and our consolidated subsidiary would be made known to them in a timely manner as required to include such information in the Company's periodic filings with the Securities and Exchange Commission.

PART III

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

EXECUTIVE OFFICERS & DIRECTORS

The following table sets forth information regarding our executive officers and directors as of the date of this filing.

Name	Age	Title
Antonio Zapata	[45]	Chairman
Julietta Moran	[60]	Director
George Schilling	[54]	President & CEO
Robert Leon	[43]	Chief Technical Officer
John W. Stump, III	[60]	Chief Financial Officer
George Olazabal	[38]	Director of Engineering

There are no family relationships between any of the directors or executive officers of the Company.

Mr. John Stump replaces the temporary CFO, Mr. Javier Montiel.
Mr. Antonio Zapata has accepted the appointment as Chairman of the Board.

George Schilling - President & CEO. Age 54. Mr. Schilling was appointed President and CEO of the Company in December 2004. Mr. Schilling joined Calypso Wireless as an experienced business manager who had grown a number of companies that were focused on sales and global marketing, which led his career to senior management. While in his position at the Company he and his management team have concentrated their efforts on stabilizing the Company, enhancing the confidence of the Company's investors, and significantly setting the stage for a global licensing strategy that the company will employ to gain market share in several channels. The competitive environment in which the Company operates will continue to intensify in the upcoming years since there is no clearly universal switching solution deployed to date. His commitment to the vision that the company's technology has always represented, his natural ability to position and market the company's fully developed products to a variety of customers, and his understanding of exceptional, fast-paced customer service will be leading characteristics of his leadership of Calypso Wireless, Inc.

Robert Leon - Chief Technical Officer, Co-Founder. Age 43. Mr. Leon joined Calypso Wireless in October 1998. He has served as Director of Engineering and Operations Manager for the South Florida R&D facility. He is responsible for engineering and general business operations. He develops concepts and strategies for the development of new, wireless internet/cellular products.

Prior to joining Calypso Wireless, as part of a 13-year career with Motorola, Mr. Leon was Senior Staff Engineer and Project Manager for the Consumer and Light Industrial Division, Land Mobile Products Sector, Motorola, in Plantation Florida. Mr. Leon was a major contributor to Motorola's first Nextel/iden™ Cellular phone (Lingo), the first side display pager (Bravo Express) and the first TalkAbout FRS radio.

From 1995 to 1996, Mr. Leon was Staff Engineer for the Advanced Manufacturing Technology Group. During this assignment, Mr. Leon demonstrated technical leadership in the identification and implementation of new technologies and equipment to improve component and assembly-manufacturing processes.

From 1994 to 1995, Mr. Leon was Staff Engineer/Mechanical Software Manager for Motorola, Land Mobile Products Sector. In this capacity he was responsible for software the inspection process for the release of Unix scripts developed by software administration personnel to support engineering development. He initiated focus teams to evaluate engineering software; i.e. FEA software (Cosmos, Ansys, Patran), and Tolerance Analysis Software (Ti-Tol, VSA-GDT). He also taught several Pro/Engineer classes at Motorola and for other companies through Ligi Tool Engineering, Inc. in Pompano, FL.

From 1986 to 1994, Mr. Leon served as Lead Mechanical Engineer/ Project Manager, for Motorola's Energy Products Division, Paging & Wireless Systems Group, and the Microelectronics Department, Land Mobil Products Sector.

Mr. Leon received a Bachelor of Science in Mechanical Engineering (with Honors) from the University of Miami in 1985. During his Career, Mr. Leon has received 19 US Patents and several patents pending. He has 6 Motorola Engineering Awards, and three Motorola Distinguished Innovator Awards. He also received a Proclamation Certificate from the Mayor of the City of Lauderhill, Ft. in May 1999 in recognition of engineering management and development efforts. While with Calypso, Mr. Leon has submitted over 8 Utility Patent and 4 Design Patent applications.

John W. Stump, III - Chief Financial Officer. Age 60. Mr. Stump is responsible for accounting, finance, treasury, and facilities. Prior to joining the Company in April 2005, Mr. Stump has served as Interim Chief Financial Officer of AIMSI TECHNOLOGIES, INC. He serves in that position on a part-time basis, and he will continue in that capacity for a short time, in addition to his duties with Calypso.

Mr. Stump served as a director of American International Industries, Inc., a publicly traded company, from November 2002 through December 2004. He also served as Chief Financial Officer of American International Industries, Inc. from August 1998 through October 2003. From December 1996 to October 1997, Mr. Stump served as Chief Executive Officer of Changes International, a privately held company. Mr. Stump is a Certified Public Accountant and brings over twenty-five years of financial and executive management experience in both public and private companies.

George L. Olazabal - Director of Engineering. Age 38. Mr. Olazabal is responsible for all software engineering. Mr. Olazabal joined Calypso in 1998. He directed the embedded software effort and wrote the ASNAP™ software. He is responsible for developing C/C++ programming software packages, VB/MS Access based product-pricing system, and SQL Server based Internet order entry support system (all Internet tools used). Prior to joining Calypso, George held various senior software development positions.

From 1992 to 1998, Mr. Olazabal was involved in the research and development of software systems for front and back end processing using Visual Basic and Visual C/C++ Frontpage, Homesite, ASP, Vbscript, and Javascript. Database systems used by Mr. Olazabal include MS Sql Server and MS Access. Mr. Olazabal also Designed and coded the communications between the PC and the flow cytometer. Mr. Olazabal is system based on NT, using Visual C++ (object oriented techniques) for the user interface and NT device drivers (Win NT DDK) for the cytometer interface. Mr. Olazabal is active in all phases of testing and debugging of these releases. He has heavy interface with marketing while generating requirements specifications. He is responsible for selecting software tools necessary to accomplish marketing requests. He designed and coded all PCL 4 and PCL 5 printer support routines, and he designed the database and the interface to the database (SQL Engine) from within our software. Embedded temperature controller using a PIC processor to control a pettier element.

From 1989 to 1992, Mr. Olazabal was a Software Engineer for Motorola, Inc., Boynton Beach and Plantation, Florida. He was involved in the development of software systems for subscriber groups. Mr. Olazabal began design of a prospective PC Universal Programmer for paging products using structured methods techniques, "C" language, and assembly language. He interfaced heavily with marketing and management while developing proposals for this initial version. He developed a hard contact programmer to run on a PC (MS-DOS) for the Bravo Plus pager. This platform communicated with the cellular phone or pager via RS232 and was then used on the development of hard contact programmers for two other products. He conducted meetings in the development of various proposals for an Over-The-Air PC programmer.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors, executive officers and persons who own more than five percent of a registered class of the Company's equity securities, to file with the Securities and Exchange Commission (the SEC) initial reports of ownership and reports changes in ownership of Common Stock and other equity securities of the Company. Officers, directors and greater than ten-percent beneficial owners are required by SEC regulation to furnish the Company with copies of all Section 16(a) reports they file.

During the fiscal year ended December 31, 2004, a Form 3, Initial Statement of Beneficial Ownership of Securities, was not timely filed by each of the following officers or directors:
George Schilling (President and CEO)
Carlos H. Mendoza (former Chairman)
David Davila (former President & CEO)
Ricardo Alvarez (former Director, President & CEO)
Winfred Fields (former Chief Financial Officer)
George Olazabal (Director of Engineering)

In addition during the fiscal year ended December 31, 2004, a Form 4, Change of Beneficial Ownership of Securities, was not timely filed by Robert Leon (2 times). Except as described above, based solely upon a review of Forms 3 and 4 and amendments thereto furnished to the Company under Rule 16(a)-3(e) during the fiscal year ended December 31, 2004 and Form 5 and amendments thereto furnished to the Company with respect to such period, the Company is not aware of any director, officer, or beneficial owner of greater than ten percent of any class of equity securities of the Company registered pursuant to Section 12 of the Exchange Act that has failed to file on a timely basis, as disclosed in the above forms, reports required by Section 16(a) of the Exchange Act during the Company's most recent fiscal year or prior years.

CODE OF ETHICS

The Company has adopted its Code of Ethics and Business Conduct for Officers, Directors and Employees that applies to all of the officers, directors and employees of the Company.

ITEM 10. EXECUTIVE COMPENSATION
Summary of Cash and Certain Other Compensation

Summary Compensation Table

The following table reflects all forms of compensation paid to the Company's chief executive officer and its other most highly compensated executive officers whose total annual salary and bonus for the fiscal year ending December 31, 2004 exceeded $100,000.

		Annual compensation			Long term compensation			
					Awards		Payouts	
Name and principal position	Year	Salary ($)	Bonus ($)	Other annual compensation ($)	Restricted Stock Awards ($)	Securities underlying options/SARs (#)	LTIP payouts ($)	All other Compensation ($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
George Schilling President & CEO	2004	$57,077	N/A	N/A	(1)	-	-	-
David Davila, President & CEO	2004	$45,500	N/A	N/A	-	-	-	-
	2003	$74,400	N/A	N/A	-	-	-	-
Robert Leon, Chief Technology Officer	2004	$121,151	N/A	N/A	–	–	–	–
	2003	$114,786	N/A	N/A	-	-	-	-
	2002	$90,000	N/A	N/A	-	-	-	-
Winfred Fields, Chief Financial Officer	2004	N/A	N/A	N/A	(2)	–	–	–
	2003	$6,870	N/A	N/A	(2)	-	-	-
	2002							
George L. Olazabal Director of Engineering	2004	$81,255	N/A	N/A	(3)	-	-	-
Ricardo Alvarez, Director President & CEO	2004	$75,600	N/A	*$150,000	(4)	–	–	–
	2003							

(1) 120,000 shares of common stock, par value $.001 per share, were granted to Mr. George Schilling pursuant to that certain Consulting Agreement, dated September 1, 2003 and May 19, 2004, respectively, as described in the Index to Exhibits, in consideration of management and professional services rendered by Mr. Schillings to the Company.
(2) 50,000 shares of common stock, par value $.001 per share, were granted to Mr. Winfred Fields pursuant to that certain Consulting Agreement, dated August 1, 2003, as described in the Index to Exhibits, in consideration of accounting and administrative consulting services rendered by Mr. Fields to the Company. 100,000 shares of common stock, par value $.001 per share, were granted to Mr. Winfred Fields

pursuant to that certain Separation Agreement, dated November 1, 2004, as described in the Index to Exhibits, in consideration of termination of Mr. Fields engagement to the Company.

(3) 100,000 shares of common stock, par value $.001 per share, were granted to Mr. George L. Olazabal pursuant to that certain Consulting Agreement, dated September 4, 2003, respectively, as described in the Index to Exhibits, in consideration of development of Calypso ASNAP™ software design and architecture consulting services rendered by Mr. Olazabal to the Company.
(4) 50,000 shares of common stock, par value $.001 per share, were granted to Mr. Ricardo Alvarez pursuant to that certain Consulting Agreement, dated July 1, 2003 and October 2, 2003, respectively, as described in the Index to Exhibits, in consideration of general business assistance consulting services rendered by Mr. Alvarez to the Company.* The Company signed a Separation Agreement with Ricardo Alvarez to satisfy his three year employment contract with the Company and agreed to pay him $150,000.

Other than as noted above, no officers or directors received compensation in any form during the year ended December 31, 2004.

OPTION GRANTS IN LAST FISCAL YEAR

During the fiscal year ended December 31, 2004, no executive officer or director was granted options to purchase shares of common stock.

FISCAL YEAR-END OPTION VALUES

During the fiscal year ended December 31, 2004, no executive officer or director exercised any options to purchase shares of common stock, and as of December 31, 2004, no executive officer or director possessed any options to purchase shares of common stock.

Directors Remuneration

In 2004 Directors were not paid a fee for serving on the Board.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth as of December 31, 2004, information with respect to (a) each person (including "group" as that term is used in section 13(d)(3) of the Securities Exchange Act of 1934 who is known to the Company to be the beneficial owner of more than five percent (5%) of the outstanding Common Stock of the Company and (b) the number and percentage of the Company's Common Stock owned by (i) each of the directors and the executive officers named on the Summary Compensation Table above and (ii) all directors and executive officers of the Company as a group. The Company believes that, unless otherwise indicated, each of the shareholders has sole voting and investment power with respect to the shares beneficially owned.

The following table sets forth certain information regarding the beneficial ownership of the Company's common capital stock as of the date of this Memorandum by (i) each person known to the Company as having beneficial ownership of more than 5% of the Company’s common capital stock, (ii) existing shareholders, (iii) and all others as a group.

Name of Beneficial Owner(1)	Number of Common Shares	Percentage of Ownership
Baylis Trade, Inc. 41 South Audley, London W1K 2F5, United Kingdom	20,255,138	18.3 %
Begdorf Holdings, Ltd. Donoso Cortez 45, Madrid, Spain	5,937,030	5.4 %
Ferguson, Inc. P.O. Box 7284, Panama 5, Panama	5,837,566	5.3 %
Halston Business, Inc. 23 Rue de Rive, 1260 Nyon-Switzerland	21,161,178	19.1 %
Lomme Development Corporation. 200 Mts Oeste Instamasa, Hacienda Ojo Agua, San Rafael Alajuela San Jose Costa Rica	5,837,566	5.3 %
All Directors and Executive Officers as a Group (4 persons)	2,490,713	2.3 %

(1) Unless otherwise noted, the address of each of these persons is c/o Calypso Wireless, Inc., 5753 N.W. 158 Street, Miami, Florida 33014

ITEM 12 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

NONE.

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K.

a) The Exhibits included in this report are indicated below:

Exhibit No.	Description of Exhibit
10.1	Executive Employment Agreement for George Schilling.
10.2	Executive Employment Agreement for John W. Stump.
10.3	Distribution Agreement with Franc Telecom, Ltd.

ITEM 14. PRINCIPAL ACCOUNTANTS FEES AND SERVICES

Audit Fees. The aggregate fees billed by our auditors, for professional services rendered for the audit of the Company's annual financial statements for the years ended December 31, 2004 and 2003, and for the reviews of the financial statements included in the Company's Quarterly Reports on Form 10-QSB during the fiscal years were $55,500 and $50,000, respectively.

Audit Related Fees. For the years ended December 31, 2004 and 2003, the Company did not incurred fees to auditors for audit related fees, respectively.

All Other Fees. The aggregate fees billed by auditors for services rendered to the Company, other than the services covered in "Audit Fees" and for the fiscal years ended December 31, 2004 and 2003 were zero for both years.

The Board of Directors has considered whether the provision of non-audit services is compatible with maintaining the principal accountant's independence.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CALYPSO WIRELESS, INC.

By: /s/ George Schilling Date: May 5, 2005
George Schilling
Chief Executive Officer and
President

By: /s/ John W. Stump, III Date: May 5,2005
John W. Stump, III
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature

By: /s/ George Schilling Date: May 5, 2005
George Schilling
Chief Executive Officer and
President

By: /s/ John W. Stump, III Date: May 5, 2005
John W. Stump
Chief Financial Officer

By: /s/ Antonio Zapata Date: May 5, 2005
Antonio Zapata
Chairman

By: /s/ Julietta Moran Date: May 5, 2005
Julietta Moran
Director

CALYPSO WIRELESS, INC. AND SUBSIDIARY
(A Development Stage Company)

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R. E. Bassie & Co.

Certified Public Accountants

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Calypso Wireless, Inc.:

We have audited the consolidated balance sheets of Calypso Wireless, Inc. and subsidiary (a development stage company - the Company) as of December 31, 2004 and 2003, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the two-year period ended December 31, 2004 and for the period from inception to December 31, 2004. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Calypso Wireless, Inc. and subsidiary as of December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the years in the two-year period ended December 31, 2004 and for the period from inception to December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 9 to the financial statements, the 2003 and 2002 consolidated financial statements have been restated to correct errors which resulted in the overstatement of software development costs, the understatement of research and development expenses and the understatement of net losses for the years ended December 31, 2003 and 2002. Accordingly, an adjustment had been made to retained earnings at December 31, 2003 to correct the errors.

/s/ R. E. Bassie & Co.

Houston, Texas
April 15, 2005

CALYPSO WIRELESS, INC. AND SUBSIDIARY

(A Development Stage Company)

Consolidated Balance Sheets

December 31, 2004 and 2003

	2004	2003
Assets		Restated
Current assets:		
Cash	$36,318	$833,209
Refund receivable	183,346	—
Prepaid expenses and other current assets	216,056	2,679
Inventories	—	86,103
Assets held for sale	576,000	—
Total current assets	1,011,720	921,991
Property and equipment, net of accumulated depreciation	100,959	4,155,324
Patents	423,250	220,176
Software development costs	4,718,238	4,452,169
Other assets	54,310	54,767
Total assets	$6,308,477	$9,804,427
Liabilities and Stockholders' Equity		
Liabilities:		
Accounts payable and accrued expenses	$557,263	$273,497
Advances from customers	84,790	84,790
Short-term note payable	103,905	-
Loans payable	391,000	391,000
Total liabilities - current	1,136,958	749,287
Stockholders' equity:		
Common stock, $.001 par value. Authorized 200,000,000 shares: 110,597,276 shares issued and outstanding at December 31, 2004, and 105,221,483 shares issued and outstanding at December 31, 2003	110,597	105,221
Additional paid-in capital	21,536,837	17,713,383
Deficit accumulated during the development stage	(16,475,915)	(8,473,464)
	5,171,519	9,345,140
Less stock subscription receivable	—	(290,000)
Total stockholders' equity	5,171,519	9,055,140
Commitments		
Total liabilities and stockholders' equity	$6,308,477	$9,804,427

See accompanying notes to consolidated financial statements.

CALYPSO WIRELESS, INC. AND SUBSIDIARY
(A Development Stage Company)

Consolidated Statements of Operations

Years ended December 31, 2004 and 2003

	2004	2003 Restated	Cumulative totals from inception to December 31, 2004
Revenues	$—	$—	$—
Cost of goods sold	—	—	—
Gross profit	—	—	—
Operating expenses:			
Research and development	161,256	819,626	5,443,131
Impairment expenses	3,446,411	—	3,446,411
Write-off of inventory	86,103	—	86,103
General and administrative	4,247,065	2,427,133	7,350,072
Interest	2,498	78,269	208,382
Depreciation	59,118	1,674	65,816
Total operating expenses	8,002,451	3,326,702	16,599,915
Operating loss	(8,002,451)	(3,326,702)	(16,599,915)
Other income - gain on the sale of assets	—	124,000	124,000
Net loss before provision for income taxes	(8,002,451)	(3,202,702)	(16,475,915)
Provision for income taxes	—	—	—
Net loss	$(8,002,451)	$(3,202,702)	$(16,475,915)
Net loss per common share - basic and diluted:			
Net loss applicable to common shareholders	$(0.07)	$(0.03)	
Weighted average common shares - basic and diluted	107,825,547	99,979,194	

See accompanying notes to consolidated financial statements.

CALYPSO WIRELESS, INC. AND SUBSIDIARY

(A Development Stage Company)

Consolidated Statements of Stockholders' Equity

Years ended December 31, 2004 and 2003

	Common Stock shares	amount	Additional paid-in capital	Deficit accumulated during the development stage	Stock subscription receivable	Total stockholders' equity
Balance, December 1, 1997	—	$—	$—	$—	$—	$—
Proceeds from the sale of common shares	290,000,000	29,000	9,145,717	—	—	9,174,717
Net loss	—	—	—	(3,202,249)	—	(3,202,249)
Balance, December 31, 1999	290,000,000	29,000	9,145,717	(3,202,249)	—	5,972,468
Proceeds from the sale of common shares	4,876,834	488	249,612	—	—	250,100
Net loss	—	—	—	(86,068)	—	(86,068)
Balance, December 31, 2000	294,876,834	29,488	9,395,329	(3,288,317)	—	6,136,500
Issuance of common shares for services	5,856,000	585	585,015	—	—	585,600
Proceeds from the sale of common shares	2,120,811	212	1,109,895	—	—	1,110,107
Net loss	—	—	—	(469,904)	—	(469,904)
Balance, December 31, 2001	302,853,645	30,285	11,090,239	(3,758,221)	—	7,362,303
Proceeds from the sale of common shares	5,494,036	549	349,104	—	—	349,653
Recapitalization - Reverse Merger	(218,215,704)	59,298	(59,298)	—	—	—
Issuance of common shares for services	10,000,000	10,000	70,000	—	—	80,000
Net loss, as restated	—	—	—	(1,512,541)	—	(1,512,541)
Balance, December 31, 2002, as restated	100,131,977	100,132	11,450,045	(5,270,762)	—	6,279,415
Proceeds from private placement of common shares	3,720,913	3,721	1,669,609	—	(290,000)	1,383,330

Issuance of common shares for services	5,589,757	5,590	3,341,258	—	—	3,346,848
Issuance of common shares for conversion debt	2,445,503	2,445	1,245,804	—	—	1,248,249
Cancellation of previously issued shares	(6,666,667)	(6,667)	6,667	—	—	—
Net loss, as restated	—	—	—	(3,202,702)	—	(3,202,702)
Balance, December 31, 2003, as restated	105,221,483	105,221	17,713,383	(8,473,464)	(290,000)	9,055,140
Proceeds from private placement of common shares	3,507,093	3,507	1,839,033	—	290,000	2,132,540
Issuance of common shares for services	1,768,700	1,769	1,914,521	—	—	1,916,290
Issuance of common shares for product development costs	100,000	100	69,900	—	—	70,000
Net loss	—	—	—	(8,002,451)	—	(8,002,451)
Balance, December 31, 2004	110,597,276	$110,597	$21,536,837	$(16,475,915)	$—	$5,171,519

See accompanying notes to consolidated financial statements.

CALYPSO WIRELESS, INC. AND SUBSIDIARY

(A Development Stage Company)

Consolidated Statements of Cash Flows

Years ended December 31, 2004 and 2003

	2004	2003 Restated	December 31, 2004
Cash flows from operating activities:			
Net loss	$(8,002,451)	$(3,202,702)	$(16,475,915)
Adjustments to reconcile net loss to net cash			
used in operating activities:			
Depreciation	59,120	1,674	65,816
Common stock issued for services	1,916,290	3,346,848	5,928,738
Impairment expenses	3,446,411	—	3,446,411
Write-off- of inventory	86,103	—	86,103
(Increase) decrease in operating assets:			
Refund receivable	(183,346)	—	(183,346)
Inventories	—	271,867	—
Prepaid expenses and other current assets	(213,377)	(2,679)	(216,056)
Stock subscription receivable	290,000	(290,000)	—
Patent	(203,074)	(140,402)	(423,250)
Software development costs	(196,069)	(205,956)	(4,648,238)
Other assets	457	(7,806)	(54,310)
Increase (decrease) in operating liabilities:			—
Accounts payable and accrued expenses	283,766	(953,949)	360,714
Advances from customers	—	84,790	84,790
Net cash used in operating activities	(2,716,170)	(1,098,315)	(12,028,543)
Cash flows from investing activities:			
Capital expenditures for property and equipment	(27,166)	(6,818)	(3,613,186)
Net cash used in investing activities	(27,166)	(6,818)	(3,613,186)
Cash flows from financing activities:			
Proceeds from issuance of stock	1,842,540	1,673,330	14,400,447
Proceeds from short-term borrowing	181,934	—	181,934
Repayment of short-term borrowing	(78,029)	—	(78,029)
Proceeds from loans payable	—	—	391,000
Proceeds from long-term borrowings	—	—	782,695
Net cash provided by financing activities	1,946,445	1,673,330	15,678,047
Net increase (decrease) in cash	(796,891)	568,197	36,318
Cash at beginning of year	833,209	265,012	—
Cash at end of year	$36,318	$833,209	$36,318

Supplemental schedule of cash flow information:			
Interest paid	$2,498	$78,269	$208,382
Non-cash transactions:			
Issuance of common stock for conversion of debt	$—	$1,248,249	$1,248,249
Issuance of common stock for acquisition of software development costs	$70,000	$—	$70,000

See accompanying notes to consolidated financial statements.

CALYPSO WIRELESS, INC. AND SUBSIDIARY
(A Development Stage Company)

Notes to Consolidated Financial Statements

December 31, 2004 and 2003

(1) Summary of Significant Accounting Policies

Organization, Ownership and Business

Calypso Wireless, Inc. (the "Company or Calypso"), formerly Kleer-Vu Industries, Inc. (Kleer-Vu), was incorporated in the State of Delaware on March 22, 1983 (see note 2). Its wholly-owned subsidiary, Industria de Telecomunicaciones Americanas ATEL, S.A. (American Telecom Industries ATEL, S.A.) was incorporated in 1997 under the Laws of the Republic of Costa Rica. The Company operates as a holding company with one wholly owned subsidiary. All monetary amounts noted in the financial statements are expressed in U.S. Dollars.

Calypso Wireless, Inc. is a development stage company. The Company is a developer and supplier of real-time video cellular phones and telecommunications infrastructure software. The Company's core business focuses on the development of smart real-time video cellular phones and wireless devices, which through Calypso's ASNAP™ unique switching technology provides greater bandwidth to seamlessly integrate the existing cellular networks and Internet IP-based telecommunications networks without having to replace the existing infrastructure. The Company's research and development facilities are located in Miami Lakes, Florida and Akron, Ohio.

During 2001, the Company subsidiary relocated its machinery and equipment from facilities leased in Costa Rica to a plant owned by Selectron, S.A., which is domiciled in Nicaragua, Central America.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, American Telecom Industries ATEL, S.A. All significant intercompany transactions and balances have been eliminated in consolidation.

Refund Receivable

Refund receivable represents a net amount paid to a manufacturer for the production of the telephone. The contract was subsequently cancelled and the manufacturer agreed to return all funds received.

Inventories

Inventories are valued at the lower-of-cost or market on a first-in, first-out basis.

Investment Securities

The Company accounts for its investments in accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Management determines the appropriate classification of its investments in marketable securities at the time of purchase and reevaluates such determination at each balance sheet date. Securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities. Debt securities for which the Company does not have the intent or ability to hold to maturity and equity securities not classified as trading securities are classified as available-for-sale. The cost of investments sold is determined on the specific identification or the first-in, first-out method. Trading securities are reported at fair value with unrealized gains and losses recognized in earnings, and available-for-sale securities are also reported at fair value but unrealized gains and losses are shown in the caption "unrealized gains (losses) on shares available-for-sale" included in stockholders' equity. Management determines fair value of its investments based on quoted market prices at each balance sheet date.

Property, Equipment and Depreciation

Property and equipment are recorded at cost less accumulated depreciation. Upon retirement or sale, the cost of the assets disposed of and the related accumulated depreciation are removed from the accounts, with any resultant gain or loss being recognized as a component of other income or expense. Depreciation is computed over the estimated useful lives of the assets (5 to 20 years) using the straight-line method for financial reporting purposes and accelerated methods for income tax purposes. Maintenance and repairs are charged to operations as incurred.

Intangible Assets

SFAS No. 142 eliminates the amortization of goodwill, and requires annual impairment testing of goodwill and introduces the concept of indefinite life intangible assets. The Company adopted SFAS No. 142 effective January 1, 2002. Patents will be amortized over a straight-line basis over 5 to 17 years, with the balance evaluated for recoverability at each balance sheet date. Capitalized product development costs will be amortized on a product-by-product basis, with the costs evaluated for recoverability at each balance sheet date.

Impairment of Long-Lived Assets

Realization of long-lived assets is periodically assessed by the management of the Company. Accordingly, in the event that facts and circumstances indicate that property and equipment, and intangible or other assets may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down to market value is necessary.

Revenue Recognition

The Company recognizes revenue at the time of shipment of product to its customers or completion of services provided.

Income Taxes

The Company is a taxable entity and recognizes deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to be in effect when the temporary differences reverse. The effect on the deferred tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the enactment date of the rate change. A valuation allowance is used to reduce deferred tax assets to the amount that is more likely than not to be realized.

Advertising Costs

The cost of advertising is expensed as incurred.

Management's Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses. Actual results could differ from these estimates.

Stock-based Compensation

The Company has chosen to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations and to elect the disclosure option of SFAS No. 123, "Accounting for Stock-Based Compensation." Accordingly, compensation cost for stock options issued to employees is measured as the excess, if any, of the quoted market price of the Company's stock at the date of the grant over the amount an employee must pay to acquire the stock.

Fair Value of Financial Instruments

The Company estimates the fair value of its financial instruments using available market information and appropriate valuation methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the Company estimates of fair value are not necessarily indicative of the amounts that the Company could realize in a current market exchange. The use of different market assumption and/or estimation methodologies may have a material effect on the estimated fair value amounts. The interest rates payable by the Company on its notes payable approximate market rates. The Company believes that the fair value of its financial instruments comprising accounts receivable, notes receivable, accounts payable, and notes payable approximate their carrying amounts.

New Standards Implemented

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 153. This statement addresses the measurement of exchanges of nonmonetary assets. The guidance in APB Opinion No. 29, *"Accounting for Nonmonetary Transactions,"* is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged.

The guidance in that opinion; however, included certain exceptions to that principle. This statement amends Opinion 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. This statement is effective for financial statements for fiscal years beginning after June 15, 2005. Earlier application is permitted for nonmonetary asset exchanges incurred during fiscal years beginning after the date of this statement is issued. Management believes the adoption of this statement will have no impact on the financial statements of the Company.

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 152, which amends FASB statement No. 66, *"Accounting for Sales of Real Estate,"* to reference the financial accounting and reporting guidance for real estate time-sharing transactions that is provided in AICPA Statement of Position (SOP) 04-2, *"Accounting for Real Estate Time-Sharing Transactions."* This statement also amends FASB Statement No. 67, *"Accounting for Costs and Initial Rental Operations of Real Estate Projects,"* to state that the guidance for (a) incidental operations and (b) costs incurred to sell real estate projects does not apply to real estate time-sharing transactions. The accounting for those operations and costs is subject to the guidance in SOP 04-2. This statement is effective for financial statements for fiscal years beginning after June 15, 2005. Management believes the adoption of this statement will have no impact on the financial statements of the Company.

In November 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 151, *"Inventory Costs— an amendment of ARB No. 43, Chapter 4."* This statement amends the guidance in ARB No. 43, Chapter 4, *"Inventory Pricing,"* to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). Paragraph 5 of ARB 43, Chapter 4, previously stated that *"under some circumstances, items such as idle facility expense, excessive spoilage, double freight, and rehandling costs may be so abnormal as to require treatment as current period charges."* This statement requires that those items be recognized as current-period charges regardless of whether they meet the criterion of *"so abnormal."* In addition, this statement requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. This statement is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. Management does not believe the adoption of this statement will have any immediate material impact on the Company.

In May 2003, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 150, *"Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity"* (hereinafter *"SFAS No. 150"*). SFAS No. 150 establishes standards for classifying and measuring certain financial instruments with characteristics of both liabilities and equity and requires that those instruments be classified as liabilities in statements of financial position. Previously, many of those instruments were classified as equity. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003 and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company has determined the adoption of this statement will have no effect on the Company's financial statements.

Reclassifications

Certain 2003 amounts have been reclassified to conform to the 2004 presentation.

(2) Inventories

Inventories consisted of raw materials at December 31, 2003, and were located at the Selectron, S.A. plant in Managua, Nicaragua. The December 31, 2003 balance of inventory was written-off during 2004.

(3) Property and Equipment

Major classes of property and equipment together with their estimated useful lives, consisted of the following:

		December 31	
	Years	2004	2003
Machinery and equipment	5-15	$—	$3,405,952
Laboratory equipment	5-15	99,319	715,778
Office furniture and equipment	3-5	67,456	40,290
		166,775	4,162,020
Less accumulated depreciation		65,816	6,696
Net property and equipment		$100,959	$4,155,324

The machinery and equipment for production of the products had not been placed in service as of December 31, 2003. During 2004, the Company decided to outsource the production of the products to independent contractors; therefore the machinery and equipment purchased specifically for the production of the telephones and other related products was written down to the net realizable sales value, estimated to be approximately $576,000, resulting in a impairment charge in the amount of $3,446,411. The $576,000 estimated sales value of the machinery and equipment was reclassified to a separate line item in the current assets section of the balance sheet as of December 31, 2004. This evaluation of long-lived assets is consistent with our accounting policy on "Impairment of Long-Lived Assets" as noted in note 1 to the financial statements.

(4) Software Development Costs

Software development costs represent capitalized costs incurred in the development of the cellular phones and telecommunications infrastructure software. The Company began capitalizing this cost once technological feasibility had been established during the first quarter of 1999. All costs incurred prior to establishment of technological feasibility were expensed as research and development expenses. The Company will begin amortizing this cost once the products are available for general release to customers. See note 9 for restatement of amounts reported as software development costs in 2003 and 2002.

(5) Long-term Debt

Long-term debt represents a revolving line of credit agreement with a financial institution, which allowed the Company to borrow up t $1,500,000 through December 31, 2003. The note bears interest at 10% per annum, with principal and accrued interest due at December 31 2003. The note was secured by a personal guarantee of the Company’s former Chief Executive Officer. The balance of the note and accrue interest was converted to equity in 2003 by the issuance of 2,394,820 shares of common stock.

(6) Capital Stock

The Company is authorized to issue up to 200,000,000 shares of Common Stock, of which 110,597,276 were issued and outstanding as o December 31, 2004.

(7) Income Taxes

A reconciliation of income taxes at the federal statutory rate to amounts provided for the years ended December 31, are as follows:

	December 31	
	2004	2003
Tax expense/(benefit) computed at statutory rate for continuing operations	$(2,721,000)	$(1,089,000)
Tax (benefit) of operating loss carryforwards	2,721,000	1,089,000
Tax expense/(benefit) for continuing operations	$	$—

The Company has current net operating loss carryforwards in excess of $16,400,000 as of December 31, 2004, to offset future taxable inco which expires in various years through 2024.

Deferred taxes are determined based on the temporary differences between the financial statement and income tax bases of assets and liabili as measured by the enacted tax rates, which will be in effect when these differences reverse. The components of deferred income tax assets as follows:

	December 31	
	2004	2003
Deferred tax assets:		
Net operating loss	$5,602,000	$2,881,000
Total deferred tax assets	5,602,000	2,881,000
Valuation allowance	(5,602,000)	(2,881,000)
Net deferred assets	$—	$—

At December 31, 2004, the Company provided a 100% valuation allowance for the deferred tax asset because given the volatility of the cur economic climate, it could not be determined whether it was more likely than not that the deferred tax asset would be realized.

(8) Lease Agreements

The Company leases office space under noncancellable-operating leases, which expires in various years through September 2007. Future mi lease under these operating leases is as follows:

Year December 31,	Amount
2005	**$65,152**
2006	**18,156**
2007	**7,659**
	$90,967

(9) Restatements

The December 31, 2003 and 2002 financial statements have been restated to correct for the misclassification of expenditures between development cost and research and development expenses. The prior period adjustments to present the correction of errors are as follows:

	2003		2002	
	As Previously Reported	As Restated	As Previously Reported	As I
August 31:				
Software development costs	$ 6,531,795	$ 4,452,169	$ 5,506,213	$ 4,246,21
Total assets	11,884,053	9,804,427	10,406,110	9,146,11
Deficit accumulated during the development stage	(6,393,838)	(8,473,464)	(4,010,762)	(5,270,76
Total stockholders' equity	11,134,766	9,055,140	7,539,415	6,279,41
For the years ended December 31:				
Research and development	—	819,626	—	1,260,00
Net loss	(2,383,076	(3,202,702)	(252,541)	(1,512,54
Basic loss per share	(0,02)	(0.03)	(0.00)	(.00

(10) Subsequent Events

Equity Financing

Subsequent to December 31, 2004, the Company raised $1,000,000 through a private placement with an accredited investor. In addition, t has signed subscription agreements to raise an additional $2,000,000.

On April 20, 2005, the Company entered into a distribution agreement with Franc Telecom, LTD to purchase 250,000 cellular phones. The expected to deliver the phones during the fourth quarter of 2005.

CALYPSO WIRELESS, INC.
<u>EXECUTIVE EMPLOYMENT AGREEMENT</u>

THIS EXECUTIVE EMPLOYMENT AGREEMENT ("Agreement"), effective as of March 2, 2005, by and between **CALYPSO WIRELESS**, **INC.,** a Delaware corporation ("CALYPSO"), and GEORGE SCHILLING (the "Executive").

WHEREAS, CALYPSO has experienced considerable success in the business of designing, engineering, researching and developing wireless technology, cellular telephones and other equipment; and

WHEREAS, CALYPSO wishes to employ Executive in the capacity of PRESIDENT & CHIEF EXECUTIVE OFFICER for a minimum period of One (1) year; and

WHEREAS, the Executive wishes to become an employee of CALYPSO as its PRESIDENT & CHIEF EXECUTIVE OFFICER; and

WHEREAS, the parties believe it to be in their mutual interest to set forth in writing the terms and con-ditions of Executive's employment by CALYPSO; and

WHEREAS, the Agreement shall govern the employment relationship between the parties from and after the effective date hereof and it supersedes all previous employment agreements between them, except as defined below, either written or oral, heretofore made.

NOW, THEREFORE, in consideration of the foregoing, the parties agree as follows:

1. **<u>Recitals</u>**. The above recitals are true and correct and fully incorporated herein and form an integral part of this Agreement.

2. **<u>Intent and Scope of Agreement</u>**. The purpose of this agreement is for Calypso to execute an employment agreement that allows it to procure the services of the Executive as its Chief Executive Officer.

3. **<u>Employment</u>**. CALYPSO hereby employs the Executive to serve as its President & Chief Executive Officer, and the Executive hereby accepts such employment with CALYPSO upon the terms and conditions hereinafter set forth. The duties, responsibilities and requisites of Executive shall be at a minimum as set forth in the attached job description, but shall remain commensurate with such title and shall not diminish in quality from that currently experienced by Executive.

4. **<u>Term</u>**. The term (which, for purposes of the Agreement, shall include any extensions) of the Agreement shall commence as of the date of the signing of this Agreement, and, except as otherwise provided in Section 12 hereof, shall terminate one year from such commencement date (the "Initial Term"), and shall include all additional periods, as extended. At the expiration date, and each year thereafter, this Agreement shall be renewed upon mutual consent and agreed upon terms, of CALYPSO and Executive for an additional period to be negotiated by the parties.

5. **Compensation**.

A. **Base Compensation**. For all services rendered during the term of this Agreement by the Executive to CALYPSO, the Executive shall receive base compensation of $ 120,000.00 per annum (One Hundred Twenty Thousand US Dollars) (the "Base Compensation"). Commencing on April 15th, 2005. CALYPSO shall pay Executive the Base Compensation in twenty-four (24) equal Semi-Monthly payments commencing on the commencement date as provided in section 4 hereof, and paid every 15th and every 30th of the month (except the month of February which shall be paid on the 28th).

Commencing April 15, 2005, the Company will provide a monthly stipend, in addition to his salary, of $ 2,500.00 (Two Thousand Five Hundred US Dollars) per moth for the duration of this Employment Agreement.

B. **Bonus Payment.** Executive shall receive an additional compensation of 10,000 (Ten Thousand) restricted shares of CALYPSO every month commencing on April 15th, 2005 for the duration of this Employment Agreement. The stock certificates will be delivered to the Executive every (90) ninety days. A true and correct copy of the Stock Grant is attached hereto as Exhibit "A".

C. **Additional Compensation to Executive**. In addition to the compensation stated above, Executive shall receive 333,333 (Three Hundred Thirty Three Thousand Three Hundred Thirty Three) stock options at a price of .98 cents (Ninety Eight cents) per share of CALYPSO per year for the duration of this Employment Agreement that shall vest pursuant to a pro-rated vesting schedule attached a exhibit "A" and providing that he is not terminated pursuant to the provisions of paragraph 14 (B).

In the Event of a Change in Control (as defined in No. 15) within the next twelve months, the Executive shall receive an additional compensation of 666,666 (Six Hundred Sixty Six Thousand Six Hundred Sixty Six) stock options of CALYPSO at a price of .98 cents (Ninety Eight cents) per share that shall vest upon the consummation of the change of control.

D. **Board of Directors Compensation.** If during the term of this Agreement the Executive participates as a member of the Board of Directors, in addition to the compensation stated above, Executive shall receive a compensation for serving as a member of the Board of Directors of Calypso Wireless, Inc. in the amount determined by the Board of Directors of CALYPSO in its absolute and sole discretion for all members of the Board. Said Board of Directors Compensation shall be in addition to the base compensation and all other forms of compensation described herein in 5(A)-(C).

6. **Duties and Restrictions**.

6.1 Position. During the term of this Agreement, the Executive shall serve as President & Chief Executive Officer of CALYPSO and shall devote time, attention, energy and skills to the faithful and diligent performance of his duties, including, without limitation, participating in the prosecution or defense of any litigation on behalf of CALYPSO, which may include traveling as reasonably requested by CALYPSO. Except as otherwise agreed between CALYPSO and EXECUTIVE from time to time Employee agrees to devote 100% of his business time, attention, skill, and efforts to the performance of his duties and responsibilities on behalf of CALYPSO which shall be assigned to him from time to time by the CALYPSO. "100% of his business time" shall mean Monday through Friday, excluding holidays as defined in 8(a) of this Agreement. Executive shall also devote reasonable additional time (such as travel) from time to time as requested by CALYPSO. Nothing in this Agreement shall preclude Executive from devoting reasonable periods required for:

(a) serving as a director or member of a committee of any organization or corporation involving no conflict of interest with the interests of Calypso;

(b) serving as a consultant or an academic faculty in his area of expertise (in areas other than in connection with the business of Calypso), to government, industrial, and academic panels where it does not conflict with the interests of Calypso; and

(c) managing his personal investments or engaging in any other noncompeting business;

provided that such activities do not materially interfere with the regular performance of his duties and responsibilities under this Agreement. "The Business of Calypso" for purposes of this paragraph and this Agreement shall mean work in the area of telecommunications.

6.2 Non-Disclosure. Executive agrees that he will not disclose, now or at anytime in the future, any information which is treated by Calypso as confidential, including, but not limited to, information relating to the business of Calypso, any of Calypso's products, customers, affairs, trade secrets, developments, methods of distribution and any other information relating to Calypso which Calypso shall deem proprietary, to any person, firm, company, corporation, association, or any other entity provided that disclosure of confidential information may be made (i) to the extent that such information is generally available and known in the industry, through no action of Executive, or (ii) as required by law.

6.3 Return of Documents. Upon the expiration or termination of this Agreement, Executive shall not remove from Calypso, without written consent of Calypso, any manuals, records, drawings, blueprints, data, tables, calculations, letters, documents, or any copy or other reproduction thereof, or any other property or confidential information, of or pertaining to Calypso or any of its subsidiaries. All of the foregoing shall be returned to Calypso on or before the date of expiration or termination of employment.

6.4 No Actions In Conflict of Calypso's Interest. Executive recognizes that the services to be performed by him pursuant to this Agreement are special, unique and extraordinary. The parties confirm that it is reasonably necessary for the protection of Calypso's goodwill that Executive agree not to act in any way that would be detrimental to Calypso and constitute a conflict of interest. Therefore, during the term of this Agreement, Executive will not, directly or indirectly, except for the benefit of Calypso:

(i) solicit, cause or authorize, directly or indirectly, to be solicited for or on behalf of himself or third parties from parties who are or were customers of Calypso (including its present and future subsidiaries and affiliates) at any time during the term of this Agreement, any business similar to the business transacted by Calypso with such customer. This shall not preclude Executive from soliciting the services of a supplier or customer of Calypso in furtherance of a noncompeting business as allowed under Paragraph 6(a) hereof; or

(ii) accept or cause or authorize, directly or indirectly, to be accepted for or on behalf of himself or third parties, business from any such customers of Calypso (including its present and future subsidiaries and affiliates), except as allowed in the last sentence of Paragraph 6.4 (i) above; or

(iii) solicit, or cause or authorize, directly or indirectly, to be solicited for employment for or on behalf of himself or third parties, any persons who was at any time during the term of this Agreement, employees of Calypso (including its present and future subsidiaries and affiliates); or

(iv) employ or cause or authorize, directly or indirectly, to be employed for or on behalf of himself or third parties, any such employees of Calypso (including its present and future subsidiaries and affiliates); or

(v) use the trade names, trademarks, or trade dress of any of the products of Calypso (including its present and future subsidiaries and affiliates); or any substantially similar trade name, trademark or trade dress likely to cause, or having the effect of causing, confusion in the minds of manufacturers, customers, suppliers and retail outlets and the public generally.

6.5 Assignment of Inventions. If at any time during the term of this Agreement (either alone or with others) Executive makes, conceives, creates, discovers, invents or reduces to practice any invention, modification, discovery, design, development, improvement, process, software program, work of authorship, documentation, formula, data, technique, know-how, trade secret, or intellectual property right whatsoever or any interest therein (whether or not patentable or registrable under copyright, trademark or similar statutes or subject to analogous protection (each, an "Invention") that (i) relates to the Business of Company or any of its Affiliates or any customer of or supplier to Company or any of its Affiliates or any of the products or services being developed, manufactured or sold by Calypso or any of its Affiliates or which may be used in relation therewith; or (ii) results from tasks assigned to Executive by Calypso or any of its Affiliates; or (iii) results from the use of premises or personal property (whether tangible or intangible) owned, leased or contracted for by Calypso or any of its Affiliates, then all such Inventions and the benefits thereof are and shall immediately become the sole and absolute property of Calypso and its assigns, as works made for hire or otherwise. Executive hereby agrees that he shall promptly disclose to Calypso (or any persons designated by it) each such Invention. Executive hereby assigns all rights (including, but not limited to, rights to any inventions, patentable subject matter, copyrights and trademarks) he may have or may acquire in the Inventions and all benefits and/or rights resulting therefore to Calypso and its assigns without further compensation and shall communicate, without cost or delay, and without disclosing to others the same, all available information relating thereto (with all necessary plans and models) to Calypso. Notwithstanding anything contained in this Agreement or in this Paragraph, any Invention that does not relate to the area of telecommunications shall remain the exclusive property of Executive and Calypso shall have no claim to such Invention, and under no circumstances shall Executive have the duty or obligation to assign all rights (including, but not limited to, rights to any inventions, patentable subject matter, copyrights and trademarks) he may have or may acquire to such Inventions and all benefits and/or rights resulting therefore.

7. Facilities. The Executive shall be furnished with such facilities and services as are adequate and sufficient in the reasonable opinion of the Executive for the per-formance of his duties, this shall include without limitation a private office, computer equipment, administrative assistant, office furniture and similar facilities..

8. Employee Benefits. CALYPSO agrees to provide the Executive with the following benefits:

A. Vacation. The Executive shall be entitled each year to vacation time that totals two (2) weeks, during which time his compensation shall be paid in full. All vaca-tion time shall be taken at times and in duration convenient to CALYPSO. The vacation time provided herein shall not be cumulative and not carried forward to any subsequent year(s) by the Executive.

B. Holidays. Executive shall be entitled to the following Holidays: New Year's Day, Good Friday, Memorial Day, 4th of July, Labor Day, Thanksgiving, the Friday after Thanksgiving, Christmas Eve, Christmas Day, and one Floating Holiday.

C. Employee Benefits.During the Term of this Agreement, CALYPSO shall provide the Executive with any other fringe benefits generally available to employees of CALYPSO, such as medical - health plan.

9. **Development and Other Activity Expenses**. CALYPSO recognizes that the Executive will have to incur certain out-of-pocket expenses, including, but not limited to, travel expenses, relating to his services and CALYPSO's business, and CALYPSO agrees to promptly reimburse the Executive for all reasonable expenses necessarily incurred by him in the performance of his duties to CALYPSO upon presentation of a receipt, voucher, copy of credit card statement or documentation indicating the amount and business purposes of any such expenses. These expenses include, but are not limited to, travel, meals, entertainment, etc.

10. **Sick Leave**. The Executive shall be entitled to five (5) days sick leave during each calendar year, which amounts shall not be cumulative.

11. **Office and Support Staff**. During the term of this Agreement, Executive shall be entitled to an office of a size and with furnishings and other appointments, and to secretarial and other assistants, at least equal to those provided to other management level employees of CALYPSO and as further addressed in section 7 herein.

12. **Termination**.

A. Grounds. This agreement is at will and may be terminated by either party at any time. This Agreement shall also terminate in the event of the Executive's death. In the case of the Executive's Disability, CALYPSO may elect to terminate the Executive as a result of such Disability provided such Disability prevents the Executive from performing his duties as defined in Section 13.A.

B. Notice of Termination. Any termination by CALYPSO shall be communicated by Notice of Termination to the Executive and vice versa. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon and (ii) the date of termination in accordance with (c) below.

C. Date of Termination. "Date of Termination" means (i) if CALYPSO intends to treat the termination as a termination based upon the Executive's Disability, the Executive's employment with CALYPSO shall terminate effective on the fifth day after receipt of Notice of Termination by CALYPSO or on the date mentioned on the Notice of Termination; (ii) if the Executive's employment is terminated by reason of Death, the Date of Termination shall be the date of death of the Executive; (iii) if the Executive's employment is terminated for any other reason, the Date of Termination shall be fifty (15) days from the date of the Notice of Termination. In addition, the Executive shall be deemed to have terminated his employment by Voluntary Termination if the Executive voluntary refuses to provide substantially all of the services described in Section 6 hereof for a period greater than one (1) consecutive weeks In such event, the Date of Termination shall be the last day substantially all of the services described in Section 6 hereof were performed;

13. **Definitions**. For the purposes of this Agreement, the following terms shall have the following definitions:

A. "Disability" means a complete physical or mental inability, confirmed by an independent licensed physician, to perform substantially all of the services described in Section 3 hereof that continues for a period of 30 consecutive days during any six month period.

B. "Voluntary Termination" means the Executive's voluntary termination of his employment. Voluntary refusal to perform services shall not include taking a vacation in accordance with Section 8.(A.) hereof, or the Executive's failure to perform services on account of his illness or the illness of a member of his immediate family, provided such illness is adequately substantiated at the reasonable request of CALYPSO, or any other absence from service with written consent of the Board of Directors.

14. **Compensation Upon Termination - Obligations of CALYPSO Upon Termination**.

A. If the Executive shall suffer a death or a termination hereunder based upon Executive's Disability, as defined under Section 13, CALYPSO shall pay the Executive the following:

(i). the Executive's full Base Compensation up to the Date of Termination at the rate in effect on the Date of Termination;

B. If the Executive shall suffer a Termination based upon any of the following circumstances, he shall receive no compensation, separation pay, stock options or any employment benefits referenced in this or any other agreement:

1. He commits a felony, or any misdemeanor criminal offense involving a crime of dishonesty, moral turpitude or violence;
2. He abuses alcohol or uses illegal narcotics;
3. Engages in insubordination;
4. He commits gross negligence in the performance of his duties;
5. He breaches his fiduciary obligations as President and Chief Executive Officer;

C. If the Executive is terminated for any other reason, (other than death, disability or reasons enumerated in B (1 - 5), he shall receive ninety (90) days pay, plus pro-rated stock options as enumerated herein.

15. **Change in Control**. In the event of a Change in Control, as defined below, the Executive or CALYPSO, shall have the option at any time within 30 days after the Change in Control occurs to terminate Executive's employment.

A. **Notice**. Written notice that a "Change in Control" has occurred must be delivered by CALYPSO within five (5) days after such "Change in Control" occurs. Proper notice to effectuate a termination upon Change in Control shall be the date the Executive or CALYPSO receive written notice which (i) indicates that this Employment Agreement is being terminated on the basis of Change in Control, and, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for such termination.

B. **Definitions - Change in Control**.

(i)	"Acquiring Person" means that a Person, considered alone or together with all Control Affiliates and Associates of that Person, is or becomes directly or indirectly the beneficial owner of securities representing at least fifty-one (51) percent of CALYPSO's then outstanding securities entitled to vote generally in the election of the Board.
(ii)	"Affiliate" means any "subsidiary" or "parent" corporation (within the meaning of Section 424 of the Code) of CALYPSO.
(iii)	"Board" means the Board of Directors of CALYPSO.
(iv)	"Control Affiliate" with respect to any Person, means an Affiliate as defined in Rule 12B-2 of the General Rules and Regulations under the Exchange Act, as amended as of January 1, 1990.
(v)	"Exchange Act" means the Securities Exchange Act of 1934, as amended and as in effect from time to time.
(vi)	"Person" means any human being, firm, corporation, partnership, or other entity. Person also includes any human being, firm, corporation, partnership, or other entity as defined in Section 13(d)(3) and 14 (d)(2) of the Exchange Act, as amended as of January 1, 1990. The term Person does not include CALYPSO or any related entity within the meaning of Code Section 1563(a), 414(b) or 414(c), and the term Person does not include any employee-benefit plan maintained by CALYPSO or by any Related Entity, and any Person or entity organized, appointed, or established by CALYPSO or by any subsidiary for or pursuant to the terms of any such employee-benefit plan, unless the Board determines that such an employee-benefit plan, or such Person or entity is a Person

(vii) "Change in Control". For purposes of this Agreement, a "Change in Control" shall mean any of the following events:

(a) In the event a Person is or becomes an Acquiring Person;

(b) In the event a Person enters into a agreement that would result in that Person becoming an Acquiring Person;

(c) In the event that CALYPSO enters into any agreement with Person that involves the transfer of at least fifty-one (51) percent of CALYPSO's total assets on a consolidated basis, as reported in CALYPSO's consolidated financial statements filed with the Securities and Exchange Commission, or, if CALYPSO is not required to file consolidated financial statements with the Securities and Exchange Commission, similar financial statements;

(d) In the event that CALYPSO enters into an agreement to merge or consolidate CALYPSO or to effect a statutory share exchange with another Person, where the Person and its subsidiaries and affiliates own at least fifty-one (51) percent of the company, if CALYPSO is not intended to be the surviving or resulting entity after the merger, consolidation, or statutory share exchange;

(e) A complete liquidation or dissolution of CALYPSO;

(f) Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any Person acquired Beneficial Ownership as defined in the Exchange Act of more than the permitted amount of the then outstanding securities as a result of the acquisition of securities by CALYPSO which by reducing the number of securities then outstanding, increased the proportional number of shares Beneficially Owned by the subject Person(s) provided that if a Change in Control would occur as a result of the acquisition of securities by CALYPSO, and after such share acquisition by CALYPSO, the Person becomes the Beneficial Owner of any additional securities which increases the percentage of the then outstanding securities Beneficially Owned by the subject Person, then a Change in Control shall occur.

C. **Compensation Upon Termination Based Upon Change in Control - Payment of Excise Taxes**. If a termination occurs upon a Change in Control as defined above, and the change control takes place during the first twelve months of this agreement hen the Company shall pay the Executive those same amounts at the same time as indicated in Section (14).

16. **Notices**. All notices required to be given under the Agreement shall be in writing, sent certified mail, return receipt requested, postage prepaid, to the following addresses:

(A) If to the Executive, then to:

George Schilling
710 7th Lane
Palm Beach, FL. 33418

(B) If to CALYPSO, then to:

Calypso Wireless, Inc.
5753 NW 158th
Miami Lakes, FL 33014
Attention: Board Of Directors

17. **Governing Law and Venue**. The Agreement shall be governed by and construed in accordance with the laws of the State of Florida. Venue for any action or suit brought hereunder or in connection herewith, or relating hereto, shall lie with the Courts in and for Miami-Dade County, Florida.

18. **Waiver**. The waiver by either party hereto of any breach of any provision of the Agreement shall not operate or be construed as a waiver of any subsequent breach by either party hereto.

19. **Binding Effect and Assignment**. The Executive acknowledges that his services are unique and personal. Accordingly, the Executive may not assign his rights or delegate his duties or obligations under this Agreement. The Executive's rights and obligations under this Agreement shall inure to the benefit of and shall be binding upon the Executive's heirs, personal representatives and successors and assigns. The Agreement shall be binding upon CALYPSO's successors and/or assigns.

20. **Attorneys Fees**. In the event either party files any action or suit regarding any of the terms of this Agreement or in relation to, or involving, Executive's employment by CALYPSO, then the prevailing party shall be entitled to recover upon final judgment on the merits its or his reasonable attorney's fees and court costs (including, without limitation, appellate attorney's fees and court costs) incurred in bringing such action and all costs or expenses, including, without limitation, attorney's fees and court costs, incurred in collecting any judgment ..

21. **Indemnification and Hold Harmless Provision**. CALYPSO hereby agrees to indemnify Executive, his heirs, successors, and assigns and hold Executive harmless from any and all liabilities, obligations, expenses, fees, and costs (including attorney's and professional fees) of every kind, nature, and description, which now exist or may exist now or hereafter with respect to Executive's activities, duties, or responsibilities as President & Chief Executive Officer of CALYPSO, or any subsequent position, or in relation to any of CALYPSO's subsidiaries, affiliates, or related entities. Such indemnification and hold harmless benefits shall be payable by CALYPSO whenever incurred by Executive so long as such costs or expenses relate to or arise from such activities, duties, and responsibilities of Executive and shall not be in any way be dependent upon Executive's employment with CALYPSO. Calypso shall be required to purchase adequate directors/officers insurance, or other adequate insurance insuring Calypso's obligation as set forth in this Section 21.

In the event Executive is made a party to a lawsuit or is involved in a legal proceeding in any manner (including by subpoena or as a witness), which relates directly or indirectly to Calypso or the Executive's performance of his duties under this Agreement, in which Executive in his sole discretion believes that it is in his best interest to retain independent legal and other professional counsel.

22. **Non-Compete Clause**. For a period of two (2) years after the conclusion of his employment with Calypso, the Executive shall not engage in any employment or work for any company or third party, including consulting engagements, that is directly or indirectly involved in competition with Calypso Wireless or any of its subsidiaries or successors in interest. This shall include but not be limited to any business entity involved in the development, servicing or manufacture of wireless communications of any type, including but not limited to cellular telephones. In addition, the Executive shall not directly or indirectly solicit any Calypso employees, contractors, or vendors to gain employment or business affiliation with any business that competes directly or indirectly with Calypso.

23. **Entire Understanding; Amendment**. The Agreement contains the entire understanding of the parties relating to the employment of the Executive by CALYPSO and supersedes any and all previous agreements among the parties. It may not be changed orally but only by an agreement in writing signed by the party or par-ties against whom enforcement of any waiver, change, modifica-tion, extension or discharge is sought.

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IN WITNESS WHEREOF, the parties hereto have hereunto set their hands and seals the day and year first above written.

EXECUTIVE:

George Schilling

____

CALYPSO WIRELESS, INC.,
A DELAWARE CORPORATION

____

Name: Antonio Zapata
Title: Chairman of the Board

____

Name: Julietta Moran
Title: Board Member - Secretary

CALYPSO WIRELESS, INC.
EXECUTIVE EMPLOYMENT AGREEMENT

THIS EXECUTIVE EMPLOYMENT AGREEMENT ("Agreement"), effective as of April 15, 2005, by and between **CALYPSO WIRELESS**, **INC.,** a Delaware corporation (“CALYPSO”), and JOHN W. STUMP III (the “Executive”).

WHEREAS, CALYPSO has experienced considerable success in the business of designing, engineering, researching and developing wireless technology, cellular telephones and other equipment; and

WHEREAS, CALYPSO wishes to employ Executive in the capacity of CHIEF FINANCIAL OFFICER for a minimum period of One (1) year; and

WHEREAS, the Executive wishes to become an employee of CALYPSO as its CHIEF FINANCIAL OFFICER; and

WHEREAS, the parties believe it to be in their mutual interest to set forth in writing the terms and con-ditions of Executive’s employment by CALYPSO; and

WHEREAS, the Agreement shall govern the employment relationship between the parties from and after the effective date hereof and it supersedes all previous employment agreements between them, except as defined below, either written or oral, heretofore made.

NOW, THEREFORE, in consideration of the foregoing, the parties agree as follows:

1. **Recitals**. The above recitals are true and correct and fully incorporated herein and form an integral part of this Agreement.

2. **Intent and Scope of Agreement**. The purpose of this agreement is for Calypso to execute an employment agreement that allows it to procure the services of the Executive as its Chief Financial Officer.

3. **Employment**. CALYPSO hereby employs the Executive to serve as its Chief Financial Officer, and the Executive hereby accepts such employment with CALYPSO upon the terms and conditions hereinafter set forth. The duties, responsibilities and requisites of Executive shall be at a minimum as set forth in the attached job description, but shall remain commensurate with such title and shall not diminish in quality from that currently experienced by Executive.

4. **Term**. The term (which, for purposes of the Agreement, shall include any extensions) of the Agreement shall commence as of the date of the signing of this Agreement, and, except as otherwise provided in Section 12 hereof, shall terminate one year from such commencement date (the “Initial Term”), and shall include all additional periods, as extended. At the expiration date, and each year thereafter, this Agreement shall be renewed upon mutual consent and agreed upon terms, of CALYPSO and Executive for an additional period to be negotiated by the parties.

5. **Compensation**.

A. **Base Compensation**. For all services rendered during the term of this Agreement by the Executive to CALYPSO, the Executive shall receive base compensation of $ 60,000.00 per annum (Sixty Thousand US Dollars) (the "Base Compensation"). Commencing on April 15th, 2005. CALYPSO shall pay Executive the Base Compensation in twenty-four (24) equal Semi-Monthly payments commencing on the commencement date as provided in section 4 hereof, and paid every 15th and every 30th of the month (except the month of February which shall be paid on the 28th).

B. **Bonus Payment.** Executive shall receive an additional compensation of 50,000 (Fifty Thousand) S-8 Free Trading shares of CALYPSO as a signing bonus upon signature of this employment agreement. The stocks certificate will be delivered to the Executive after Calypso filed the S-8 and the transfer agent issue the stock certificate. A true and correct copy of the Stock Grant is attached hereto as Exhibit "A".

C. **Additional Compensation to Executive**. In addition to the compensation stated above, Executive shall receive 100,000 (One Hundred Thousand) stock options at a price of .98 cents (Ninety Eight cents) per share of CALYPSO per year for the duration of this Employment Agreement that shall vest pursuant to a pro-rated vesting schedule attached a exhibit "A" and providing that he is not terminated pursuant to the provisions of paragraph 14 (B).

D. **Board of Directors Compensation.** If during the term of this Agreement the Executive participates as a member of the Board of Directors, in addition to the compensation stated above, Executive shall receive a compensation for serving as a member of the Board of Directors of Calypso Wireless, Inc. in the amount determined by the Board of Directors of CALYPSO in its absolute and sole discretion for all members of the Board. Said Board of Directors Compensation shall be in addition to the base compensation and all other forms of compensation described herein in 5(A)-(C).

6. **Duties and Restrictions**.

6.1 **Position**. During the term of this Agreement, the Executive shall serve as Chief Financial Officer of CALYPSO and shall devote time, attention, energy and skills to the faithful and diligent performance of his duties, including, without limitation, participating in the prosecution or defense of any litigation on behalf of CALYPSO, which may include traveling as reasonably requested by CALYPSO. Except as otherwise agreed between CALYPSO and EXECUTIVE from time to time Employee agrees to devote 50% of his business time, attention, skill, and efforts to the performance of his duties and responsibilities on behalf of CALYPSO which shall be assigned to him from time to time by the CALYPSO. The CFO shall work on site at Calypso's offices at least five days per month and devote at least twenty hours per week to Calypso and shall be responsible for performing all of the functions expected of a CFO of a publicly traded company. Nothing in this Agreement shall preclude Executive from devoting reasonable periods required for:

(a) serving as a director or member of a committee of any organization or corporation involving no conflict of interest with the interests of Calypso;

(b) serving as a consultant or an academic faculty in his area of expertise (in areas other than in connection with the business of Calypso), to government, industrial, and academic panels where it does not conflict with the interests of Calypso; and

(c) managing his personal investments or engaging in any other noncompeting business;

provided that such activities do not materially interfere with the regular performance of his duties and responsibilities under this Agreement. "The Business of Calypso" for purposes of this paragraph and this Agreement shall mean work in the area of telecommunications.

6.2 **Non-Disclosure**. Executive agrees that he will not disclose, now or at anytime in the future, any information which is treated by Calypso as confidential, including, but not limited to, information relating to the business of Calypso, any of Calypso's products, customers, affairs, trade secrets, developments, methods of distribution and any other information relating to Calypso which Calypso shall deem proprietary, to any person, firm, company, corporation, association, or any other entity provided that disclosure of confidential information may be made (i) to the extent that such information is generally available and known in the industry, through no action of Executive, or (ii) as required by law.

6.3 **Return of Documents**. Upon the expiration or termination of this Agreement, Executive shall not remove from Calypso, without written consent of Calypso, any manuals, records, drawings, blueprints, data, tables, calculations, letters, documents, or any copy or other reproduction thereof, or any other property or confidential information, of or pertaining to Calypso or any of its subsidiaries. All of the foregoing shall be returned to Calypso on or before the date of expiration or termination of employment.

6.4 **No Actions In Conflict of Calypso's Interest**. Executive recognizes that the services to be performed by him pursuant to this Agreement are special, unique and extraordinary. The parties confirm that it is reasonably necessary for the protection of Calypso's goodwill that Executive agree not to act in any way that would be detrimental to Calypso and constitute a conflict of interest. Therefore, during the term of this Agreement, Executive will not, directly or indirectly, except for the benefit of Calypso:

(i) solicit, cause or authorize, directly or indirectly, to be solicited for or on behalf of himself or third parties from parties who are or were customers of Calypso (including its present and future subsidiaries and affiliates) at any time during the term of this Agreement, any business similar to the business transacted by Calypso with such customer. This shall not preclude Executive from soliciting the services of a supplier or customer of Calypso in furtherance of a noncompeting business as allowed under Paragraph 6(a) hereof; or

(ii) accept or cause or authorize, directly or indirectly, to be accepted for or on behalf of himself or third parties, business from any such customers of Calypso (including its present and future subsidiaries and affiliates), except as allowed in the last sentence of Paragraph 6.4 (i) above; or

(iii) solicit, or cause or authorize, directly or indirectly, to be solicited for employment for or on behalf of himself or third parties, any persons who was at any time during the term of this Agreement, employees of Calypso (including its present and future subsidiaries and affiliates); or

(iv) employ or cause or authorize, directly or indirectly, to be employed for or on behalf of himself or third parties, any such employees of Calypso (including its present and future subsidiaries and affiliates); or

(v) use the trade names, trademarks, or trade dress of any of the products of Calypso (including its present and future subsidiaries and affiliates); or any substantially similar trade name, trademark or trade dress likely to cause, or having the effect of causing, confusion in the minds of manufacturers, customers, suppliers and retail outlets and the public generally.

6.5 **Assignment of Inventions**. If at any time during the term of this Agreement (either alone or with others) Executive makes, conceives, creates, discovers, invents or reduces to practice any invention, modification, discovery, design, development, improvement, process, software program, work of authorship, documentation, formula, data, technique, know-how, trade secret, or intellectual property right whatsoever or any interest therein (whether or not patentable or registrable under copyright, trademark or similar statutes or subject to analogous protection (each, an "Invention") that (i) relates to the Business of Company or any of its Affiliates or any customer of or supplier to Company or any of its Affiliates or any of the products or services being developed, manufactured or sold by Calypso or any of its Affiliates or which may be used in relation therewith; or (ii) results from tasks assigned to Executive by Calypso or any of its Affiliates; or (iii) results from the use of premises or personal property (whether tangible or intangible) owned, leased or contracted for by Calypso or any of its Affiliates, then all such Inventions and the benefits thereof are and shall immediately become the sole and absolute property of Calypso and its assigns, as works made for hire or otherwise. Executive hereby agrees that he shall promptly disclose to Calypso (or any persons designated by it) each such Invention. Executive hereby assigns all rights (including, but not limited to, rights to any inventions, patentable subject matter, copyrights and trademarks) he may have or may acquire in the Inventions and all benefits and/or rights resulting therefore to Calypso and its assigns without further compensation and shall communicate, without cost or delay, and without disclosing to others the same, all available information relating thereto (with all necessary plans and models) to Calypso. Notwithstanding anything contained in this Agreement or in this Paragraph, any Invention that does not relate to the area of telecommunications shall remain the exclusive property of Executive and Calypso shall have no claim to such Invention, and under no circumstances shall Executive have the duty or obligation to assign all rights (including, but not limited to, rights to any inventions, patentable subject matter, copyrights and trademarks) he may have or may acquire to such Inventions and all benefits and/or rights resulting therefore.

7. **Facilities**. The Executive shall be furnished with such facilities and services as are adequate and sufficient in the reasonable opinion of the Executive for the per-formance of his duties, this shall include without limitation a private office, computer equipment, administrative assistant, office furniture and similar facilities..

8. **Employee Benefits**. CALYPSO agrees to provide the Executive with the following benefits:

A. Vacation. The Executive shall be entitled each year to vacation time that totals two (2) weeks, during which time his compensation shall be paid in full. All vaca-tion time shall be taken at times and in duration convenient to CALYPSO. The vacation time provided herein shall not be cumulative and not carried forward to any subsequent year(s) by the Executive.

B. Holidays. Executive shall be entitled to the following Holidays: New Year's Day, Good Friday, Memorial Day, 4th of July, Labor Day, Thanksgiving, the Friday after Thanksgiving, Christmas Eve, Christmas Day, and one Floating Holiday.

C. Employee Benefits.During the Term of this Agreement, CALYPSO shall provide the Executive with any other fringe benefits generally available to employees of CALYPSO, such as medical - health plan.

9. **Development and Other Activity Expenses**. CALYPSO recognizes that the Executive will have to incur certain out-of-pocket expenses, including, but not limited to, travel expenses, relating to his services and CALYPSO's business, and CALYPSO agrees to promptly reimburse the Executive for all reasonable expenses necessarily incurred by him in the performance of his duties to CALYPSO upon presentation of a receipt, voucher, copy of credit card statement or documentation indicating the amount and business purposes of any such expenses. These expenses include, but are not limited to, travel, meals, entertainment, etc.

10. **Sick Leave**. The Executive shall be entitled to five (5) days sick leave during each calendar year, which amounts shall not be cumulative.

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A. Grounds. This agreement is at will and may be terminated by either party at any time.

B. Notice of Termination. Any termination by CALYPSO shall be communicated by Notice of Termination to the Executive and vice versa. For purposes of this Agreement, a "Notice of Termination" means a written notice which indicates the date of termination.

13. **Definitions**. For the purposes of this Agreement, the following terms shall have the following definitions:

A. "Disability" means a complete physical or mental inability, confirmed by an independent licensed physician, to perform substantially all of the services described in Section 3 hereof that continues for a period of 30 consecutive days during any six month period.

B. "Voluntary Termination" means the Executive's voluntary termination of his employment. Voluntary refusal to perform services shall not include taking a vacation in accordance with Section 8.(A.) hereof, or the Executive's failure to perform services on account of his illness or the illness of a member of his immediate family, provided such illness is adequately substantiated at the reasonable request of CALYPSO, or any other absence from service with written consent of the Board of Directors.

14. **Compensation Upon Termination - Obligations of CALYPSO Upon Termination**.

A. If the Executive shall suffer a death or a termination hereunder based upon Executive's Disability, as defined under Section 13, CALYPSO shall pay the Executive the following:

(i). the Executive's full Base Compensation up to the Date of Termination at the rate in effect on the Date of Termination;

B. If the Executive shall suffer a Termination based upon any of the following circumstances, he shall receive no compensation, separation pay, stock options or any employment benefits referenced in this or any other agreement:

1. He commits a felony, or any misdemeanor criminal offense involving a crime of dishonesty, moral turpitude or violence;
2. He abuses alcohol or uses illegal narcotics;
3. Engages in insubordination;
4. He commits gross negligence in the performance of his duties;
5. He breaches his fiduciary obligations as Chief Financial Officer;

C. If the Executive is terminated for any other reason, he shall receive sixty (60) days pay, plus pro-rated stock options as enumerated herein.

15. Change in Control. In the event of a Change in Control, as defined below, the Executive or CALYPSO, shall have the option at any time within 30 days after the Change in Control occurs to terminate Executive's employment.

A. **Notice**. Written notice that a "Change in Control" has occurred must be delivered by CALYPSO within five (5) days after such "Change in Control" occurs. Proper notice to effectuate a termination upon Change in Control shall be the date the Executive or CALYPSO receive written notice which (i) indicates that this Employment Agreement is being terminated on the basis of Change in Control, and, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for such termination.

B. **Definitions - Change in Control**.

(i) "Acquiring Person" means that a Person, considered alone or together with all Control Affiliates and Associates of that Person, is or becomes directly or indirectly the beneficial owner of securities representing at least fifty-one (51) percent of CALYPSO's then outstanding securities entitled to vote generally in the election of the Board.

(ii) "Affiliate" means any "subsidiary" or "parent" corporation (within the meaning of Section 424 of the Code) of CALYPSO.

(iii) "Board" means the Board of Directors of CALYPSO.

(iv) "Control Affiliate" with respect to any Person, means an Affiliate as defined in Rule 12B-2 of the General Rules and Regulations under the Exchange Act, as amended as of January 1, 1990.

(v) "Exchange Act" means the Securities Exchange Act of 1934, as amended and as in effect from time to time.

(vi) "Person" means any human being, firm, corporation, partnership, or other entity. Person also includes any human being, firm, corporation, partnership, or other entity as defined in Section 13(d)(3) and 14 (d)(2) of the Exchange Act, as amended as of January 1, 1990. The term Person does not include CALYPSO or any related entity within the meaning of Code Section 1563(a), 414(b) or 414(c), and the term Person does not include any employee-benefit plan maintained by CALYPSO or by any Related Entity, and any Person or entity organized, appointed, or established by CALYPSO or by any subsidiary for or pursuant to the terms of any such employee-benefit plan, unless the Board determines that such an employee-benefit plan, or such Person or entity is a Person

(vii) "Change in Control". For purposes of this Agreement, a "Change in Control" shall mean any of the following events:

(a) In the event a Person is or becomes an Acquiring Person;

(b) In the event a Person enters into a agreement that would result in that Person becoming an Acquiring Person;

(c) In the event that CALYPSO enters into any agreement with Person that involves the transfer of at least fifty-one (51) percent of CALYPSO's total assets on a consolidated basis, as reported in CALYPSO's consolidated financial statements filed with the Securities and Exchange Commission, or, if CALYPSO is not required to file consolidated financial statements with the Securities and Exchange Commission, similar financial statements;

(d) In the event that CALYPSO enters into an agreement to merge or consolidate CALYPSO or to effect a statutory share exchange with another Person, where the Person and its subsidiaries and affiliates own at least fifty-one (51) percent of the company, if CALYPSO is not intended to be the surviving or resulting entity after the merger, consolidation, or statutory share exchange;

(e) A complete liquidation or dissolution of CALYPSO;

(f) Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any Person acquired Beneficial Ownership as defined in the Exchange Act of more than the permitted amount of the then outstanding securities as a result of the acquisition of securities by CALYPSO which by reducing the number of securities then outstanding, increased the proportional number of shares Beneficially Owned by the subject Person(s) provided that if a Change in Control would occur as a result of the acquisition of securities by CALYPSO, and after such share acquisition by CALYPSO, the Person becomes the Beneficial Owner of any additional securities which increases the percentage of the then outstanding securities Beneficially Owned by the subject Person, then a Change in Control shall occur.

C. **Compensation Upon Termination Based Upon Change in Control - Payment of Excise Taxes**. If a termination occurs upon a Change in Control as defined above, and the change control takes place during the first twelve months of this agreement hen the Company shall pay the Executive those same amounts at the same time as indicated in Section (14).

16. **Notices**. All notices required to be given under the Agreement shall be in writing, sent certified mail, return receipt requested, postage prepaid, to the following addresses:

(A) If to the Executive, then to:

John W. Stump III
1702 Tannehill Drive
Houston, TX 77008

(B) If to CALYPSO, then to:

Calypso Wireless, Inc.
5753 NW 158th
Miami Lakes, FL 33014
Attention: President & CEO

17. **Governing Law and Venue**. The Agreement shall be governed by and construed in accordance with the laws of the State of Florida. Venue for any action or suit brought hereunder or in connection herewith, or relating hereto, shall lie with the Courts in and for Miami-Dade County, Florida.

18. **Waiver**. The waiver by either party hereto of any breach of any provision of the Agreement shall not operate or be construed as a waiver of any subsequent breach by either party hereto.

19. **Binding Effect and Assignment**. The Executive acknowledges that his services are unique and personal. Accordingly, the Executive may not assign his rights or delegate his duties or obligations under this Agreement. The Executive's rights and obligations under this Agreement shall inure to the benefit of and shall be binding upon the Executive's heirs, personal representatives and successors and assigns. The Agreement shall be binding upon CALYPSO's successors and/or assigns.

20. **Attorneys Fees**. In the event either party files any action or suit regarding any of the terms of this Agreement or in relation to, or involving, Executive's employment by CALYPSO, then the prevailing party shall be entitled to recover upon final judgment on the merits its or his reasonable attorney's fees and court costs (including, without limitation, appellate attorney's fees and court costs) incurred in bringing such action and all costs or expenses, including, without limitation, attorney's fees and court costs, incurred in collecting any judgment ..

21. **Indemnification and Hold Harmless Provision**. CALYPSO hereby agrees to indemnify Executive, his heirs, successors, and assigns and hold Executive harmless from any and all liabilities, obligations, expenses, fees, and costs (including attorney's and professional fees) of every kind, nature, and description, which now exist or may exist now or hereafter with respect to Executive's activities, duties, or responsibilities as Chief Financial Officer of CALYPSO, or any subsequent position, or in relation to any of CALYPSO's subsidiaries, affiliates, or related entities. Such indemnification and hold harmless benefits shall be payable by CALYPSO whenever incurred by Executive so long as such costs or expenses relate to or arise from such activities, duties, and responsibilities of Executive and shall not be in any way be dependent upon Executive's employment with CALYPSO. Calypso shall be required to purchase adequate directors/officers insurance, or other adequate insurance insuring Calypso's obligation as set forth in this Section 21.

In the event Executive is made a party to a lawsuit or is involved in a legal proceeding in any manner (including by subpoena or as a witness), which relates directly or indirectly to Calypso or the Executive's performance of his duties under this Agreement, in which Executive in his sole discretion believes that it is in his best interest to retain independent legal and other professional counsel.

22. **Non-Compete Clause**. For a period of two (2) years after the conclusion of his employment with Calypso, the Executive shall not engage in any employment or work for any company or third party, including consulting engagements, that is directly or indirectly involved in competition with Calypso Wireless or any of its subsidiaries or successors in interest. This shall include but not be limited to any business entity involved in the development, servicing or manufacture of wireless communications of any type, including but not limited to cellular telephones. In addition, the Executive shall not directly or indirectly solicit any Calypso employees, contractors, or vendors to gain employment or business affiliation with any business that competes directly or indirectly with Calypso.

23. **<u>Entire Understanding; Amendment</u>**. The Agreement contains the entire understanding of the parties relating to the employment of the Executive by CALYPSO and supersedes any and all previous agreements among the parties. It may not be changed orally but only by an agreement in writing signed by the party or par-ties against whom enforcement of any waiver, change, modifica-tion, extension or discharge is sought.

****

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands and seals the day and year first above written.

EXECUTIVE:

John W. Stump III

____

CALYPSO WIRELESS, INC.,
A DELAWARE CORPORATION

____

Name: George Schilling
Title: President & CEO

EXCLUSIVE DISTRIBUTION AGREEMENT

THIS EXCLUSIVE DISTRIBUTION AGREEMENT (this "Agreement") is made as of the 20th day of April, 2005 by and between **CALYPSO WIRELESS, INC.**, a corporation duly organized and existing under the laws of the State of Delaware with its principal place of business at Miami, Florida ("CALYPSO") and **FRANC TELECOM, LTD**., a company registered under the laws of England and having its registered office at London, England (the "Distributor") including Evolution Answers, Ltd. (Sales and distribution) and Franc Advertising, Ltd. (Advertising), both wholly owned entities of **FRANC TELECOM, LTD**., as holding company.

WHEREAS, because this is the initial Agreement between the parties, and because of certain marketing and technological advances, both parties acknowledge that ongoing review and amendments to this Agreement may be necessary.

WHEREAS, CALYPSO has for supply a mobile dual mode cellular Wi-Fi broadband telephone, for transmittal of voice and video;

WHEREAS, CALYPSO, subject to certain exceptions and conditions desires Distributor to act as its exclusive distributor in the United Kingdom, to sell the Products designed and manufactured by CALYPSO under the brand name Calypso and desires to appoint Distributor as its exclusive Distributor in the Territory; and

WHEREAS, Distributor is willing to sell and distribute CALYPSO's Products and be appointed Distributor pursuant to the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants of the parties hereto, it is hereby agreed as follows:

1. <u>Definitions and Interpretation</u>.

1.1. In this Agreement, the following words and expressions shall have the following meanings:

"Affiliate" shall mean, with respect to any party, any Person which, directly or indirectly, is controlled by, controls or is under common control with such party. For purposes of this definition, the term "control" (including with correlative meanings, the terms "controlled by" and "under common control with") shall mean, with respect to any Person, the direct or indirect ownership of more than fifty percent (50%) of the voting or income interest in such Person or the possession otherwise, directly or indirectly, of the power to direct the management or policies of such Person.

"Agreement Products" shall mean the CALYPSO mobile broadband telephone, Model Numbers C1250i and C1500i or its substantial equivalent the specifications of each of which are set forth on Exhibit A. In addition, upon mutual written agreement, the parties may include additional products as "Agreement Products" by attaching the specifications for such product(s) to Exhibit A, which specifications shall including the initial Minimum Price for such additional product(s). Upon attaching such specifications, each additional product shall be deemed an "Agreement Product" hereunder.

"Agreement Product Specifications" shall mean the specifications for the Agreement Products set forth in Exhibit A, as such specifications may be modified or supplemented by CALYPSO from time to time.

"Agreement Year" shall mean the twelve (12) month period commencing on April 2oth, 2005 and each separate successive twelve (12) month period thereafter.

"Binding Forecast" shall mean that term as defined in Section 7.3(a).

"**Dollars"** and **"$"** shall mean the lawful currency of the United States of America.

"Effective Date" shall mean the date of the commencement upon signatures by the Parties of this Agreement.

"Fee Payment Default" shall mean that term as defined in Section 7.1(c).

"Initial Term" shall mean that term as defined in Section 3.2.

"Launch" shall mean the commencement by the Distributor of sales of an Agreement Product in commercial quantities in the Territory for use in the Territory.

"Minimum Amounts" shall initially mean the number of units Distributor shall purchase as set forth in Section 7.2 (a).

"Patents" shall mean Letters Patent or similar statutory rights relating to any Agreement Products (including any continuation-in-part, continuation or division thereof or substitute thereof), and patent applications which are pending as of the Effective Date, in each case as set forth in Exhibit B, together with any supplementary or complementary protection certificates thereof if and when such are granted.

"Person" shall mean an individual, a corporation, limited liability company, a partnership, a trust, an unincorporated organization or a government or any agency or political subdivision thereof.

"Product License Approvals" shall mean those regulatory approvals required for the importation, promotion, marketing and sale of the Agreement Products in the Territory (including any reimbursement or pricing approvals).

"Territory" shall mean the United Kingdom.

1.2. In this Agreement, unless the context otherwise requires:

(a) clause headings are inserted for convenience of reference only and have no legal effect;

(b) references to sections, exhibits and schedules are to be construed as references to the sections of, and exhibits and schedules to, this Agreement and references to this Agreement include its exhibits and schedules;

(c) references to (or to any specified provision of) this Agreement or any other document shall be construed as references to this Agreement, that provision or that document as in force for the time being and as amended, varied, substituted, supplemented, restated or novated in accordance with the terms thereof or, as the case may be, with the agreement of the relevant parties and (where such consent is, by the terms of this Agreement or the relevant document, required to be obtained as a condition to such amendment being permitted) the prior written consent of CALYPSO;

(d) words importing the plural shall include the singular and vice versa;

(e) references to a person shall be construed as including references to an individual, firm, consortium, company, corporation, unincorporated body of persons or any State or any agency thereof; and

(f) references to statutory provisions shall be construed as references to those provisions as replaced, amended or re-enacted from time to time.

2. <u>Appointment; Best Efforts; Exclusivity</u>.

2.1. <u>Appointment</u>.

(a) Subject to the terms and conditions hereinafter set forth, CALYPSO hereby appoints the Distributor as its exclusive (except to the extent set forth in Section 2.3) distributor for the promotion, marketing, sale and distribution within the Territory of the Agreement Products supplied by CALYPSO or an Affiliate of CALYPSO to the Distributor pursuant to this Agreement.

(b) Distributor is also seeking to be named the exclusive distributor for other countries comprising the European Union. Before making an appointment for a distributor within the European Union, CALYPSO will first advise and reasonably discuss the opportunity with Distributor. If Distributor should provide bankable orders for 500,000 or more units within six (6) months of the execution of this contract, CALYPSO will give full, fair and reasonable consideration to including the remaining countries comprising the European Union within the defined Territory.

(c) Except as specifically provided to the contrary herein, the foregoing appointment shall not be construed, by implication or otherwise, (i) to effect any sale of proprietary CALYPSO technology, (ii) to grant any license relating to CALYPSO's proprietary methods of formulating, fabricating and manufacturing the Agreement Products, or (iii) to grant the Distributor any rights in or to any proprietary technology or patents or trademarks of CALYPSO.

2.2. Acceptance of Obligations; Best Efforts. The Distributor hereby accepts the appointment described in Section 2.1 and hereby agrees to use its best efforts at all times during the term hereof to promote, market, sell and distribute the Agreement Products in the Territory. Distributor's "best efforts" in this Section 2.2 shall mean that Distributor shall use generally the same channels and methods, exercise the same degree of effort and diligence, and adhere to the same standards as Distributor and its Affiliates would apply in distributing their own actively-promoted products, and shall be such as are commercially reasonable.

2.3. Conversion to Non-Exclusive Distributorship. In the event that in any Agreement Year including and after the First Agreement Year (and so long as (i) no force majeure condition of Distributor exists at such time pursuant to Section 20, (ii) CALYPSO has met its supply obligations under Section 7.4 and (iii) Distributor is able to lawfully sell any Agreement Products in the Territory), the Distributor's Net Sales of the Agreement Products in the Territory in such Agreement Year comprise less than the Minimum Amounts during each Agreement Year, either CALYPSO or the Distributor may elect upon 60 days notice, but in any event not later than 30 days after the end of the applicable Agreement Year, to convert the Distributor's distribution rights under this Agreement in the Territory from exclusive to non-exclusive; provided, however, that Distributor may cure, within 60 days after receipt of any such notice from CALYPSO, a shortfall of Net Sales with respect to the Territory for an Agreement Year by paying to CALYPSO within 30 days after such Agreement Year an amount equal to 20% of such shortfall in such Agreement Year for such Territory; further provided that at CALYPSO's election, CALYPSO may refuse to allow such cure if Distributor has taken advantage of such cure provision in each of the two preceding Agreement Years. Upon conversion of Distributor's rights to a non-exclusive distribution arrangement in the Territory, CALYPSO shall have the right to distribute the Agreement Products and/or engage another distributor for the Territory. Notwithstanding the foregoing, the Distributor shall retain the right to use all trademarks under which the Distributor launched the Agreement Products in the Territory.

3. Term and Termination.

3.1. Effective Date. This Agreement shall take effect as of the Effective Date.

3.2. Term.

(a) Unless this Agreement is sooner terminated in accordance with the provisions of this Agreement, the term of the appointment hereunder for shall commence on the first day of the first Agreement Year and shall end on the last day of the Fifth Agreement Year (the "Initial Term").

(b) Unless this Agreement is sooner terminated in accordance with the provisions of this Agreement, the appointment of the Distributor hereunder as exclusive distributor of the Agreement Products shall be renewable, upon 30 days written notice prior to the end of the Initial Term, for an additional consecutive term of 12 months following the date of expiration of the Initial Term.

3.3. Inventory.

(a) Upon termination of this Agreement for any reason, CALYPSO shall have the right (but not the obligation) to repurchase all or part of the inventory of the Agreement Products held by the Distributor or its Affiliates.

(b) The price for inventory to be repurchased by CALYPSO pursuant to Section 3.3(a) above shall be the cost thereof actually paid by the Distributor to CALYPSO. With respect to any quantities not repurchased by CALYPSO, the Distributor shall have the right to sell such inventory of the Agreement Products, in its usual and customary manner, in the ordinary course of business.

3.4. Insolvency. This Agreement may be immediately terminated by either party, upon giving written notice to the other party, in the event that the other party shall become insolvent or be declared bankrupt by a court of competent jurisdiction or shall be the subject of any reorganization (other than a corporate reorganization effected in the ordinary course of business and not arising out of any insolvency) or winding up, receivership or dissolution, bankruptcy or liquidation proceeding, or any proceeding or action similar to one or more of the above, in which case termination shall be effective upon such written notice. The failure of either party to give notice of termination upon obtaining knowledge of any such event shall not be interpreted as a waiver of such party's rights under this Section 3.4, and such party reserves the right to exercise any such rights at any time after the occurrence of any such event.

3.5. Breach. This Agreement may be terminated by either party if the other party shall breach any of its payment obligations hereunder or if either party shall commit a material breach of any of its warranties, covenants, conditions, obligations or agreements contained herein, provided that such breach shall continue for a period of 30 days after written notice thereof and provided further that such termination shall be immediately effective upon further written notice to that effect to the breaching party after its failure to cure such breach within such applicable notice period.

3.6. Certain Rights Upon Termination. Upon termination of this Agreement for any reason whatsoever, CALYPSO shall have the following rights:

(a) CALYPSO shall have the unrestricted right to review, access, use and permit others to review, access and use, either directly or by cross-reference or incorporation or otherwise, all information, data, investigations, marketing information disseminated by Distributor publicly to customers and all information required to be provided to CALYPSO by law, information relating to regulatory approvals pertaining to the Agreement Products (the "Information") which are possessed or controlled by the Distributor or any of its Affiliates, or to which the Distributor or any of its Affiliates has a right to review, access or use. The Distributor unconditionally agrees promptly to take any action and to execute and deliver to CALYPSO any documents or instruments reasonably requested by CALYPSO to permit CALYPSO to make full use of such unrestricted right.

(b) Further, CALYPSO shall have exclusive ownership rights to the Trademarks and to all other product specific logos, slogans and other intangibles used by the Distributor solely in association with the independent sale of the Agreement Products (including any and all good will associated with the Agreement Products and all registrations relating thereto) possessed or controlled by the Distributor or any of its Affiliates, and the Distributor unconditionally agrees, subject to the provisions of Section 3.3(b), (i) immediately upon termination to cease using the Trademarks and any such logos, slogans, and marketing rights of CALYPSO or any imitations thereof and (ii) immediately to execute and deliver to CALYPSO any documents or instruments reasonably requested by CALYPSO to give full effect to the provisions of this Section 3.6.

(c) In addition, the Distributor unconditionally agrees, subject to the provisions of Section 3.3(b), that it shall, upon the request of CALYPSO, immediately inform all relevant regulatory authorities that the Distributor is no longer a distributor of the Agreement Products and shall take all action and execute and deliver all documents and instruments necessary in order to transfer to the fullest extent permitted under applicable law all registrations and Product License Approvals, or applications therefor, for the Agreement Products to CALYPSO or any Person nominated by CALYPSO.

3.7. Effects of Termination.

(a) Upon termination of this Agreement for any reason, the Distributor shall immediately discontinue making any representations regarding its status as a distributor for CALYPSO and shall immediately cease conducting any activities with respect to the marketing, promotion, sale or distribution of the Agreement Products, provided, however, that the Distributor shall be permitted to sell inventory not repurchased by CALYPSO in accordance with Section 3.3.

(b) Termination of this Agreement shall not affect obligations of either party that may have accrued prior to the effective date of termination. Subject to Clause 3.8 below, termination of this Agreement shall be in addition to, and shall not be exclusive of or prejudicial to, any other grounds for termination or rights or remedies at law or in equity which either party may have on account of any default of the other party.

3.8. Waiver. The Distributor hereby waives, to the extent it is able to do so under the laws of the United States and other applicable law, any statutory rights it may have or acquire in respect of the termination of the relationship established hereby pursuant to the terms hereof, and agrees that the rights available to it hereunder in the event of such termination are adequate and reflect the agreement of the parties. The Distributor shall not have any right to claim any indemnity for goodwill or lost profits or any damages arising from the rightful termination of this Agreement in accordance with the terms hereof.

4. Payments. All payments hereunder shall be made in U.S. Dollars. Payments to CALYPSO shall be wired to an account designated by CALYPSO and the costs of any such remittance shall be borne by the Distributor.

5. Withholding. All payments to be made by the Distributor under this Agreement shall be made in full, free and clear of and without any deduction of or withholding for or on account of any taxes levied in any country of the Territory or elsewhere; provided that if the Distributor shall be required by law to make any deduction or withholding from any payment to CALYPSO then:

(a) the Distributor shall ensure that such deduction or withholding does not exceed the minimum legal liability therefore; and

(b) not later than 30 days before each deduction or withholding of any taxes, the Distributor shall forward to CALYPSO such documentary evidence as may be required by CALYPSO in respect of the proposed deduction, withholding or payment; and

(c) prior to any deduction or withholding the parties shall attempt in good faith to agree upon revised mutually acceptable pricing and/or payment terms.

6. Trademarks; Agreement Product Marking; Promotional Information.

6.1. Trademarks. Subject to the provisions of Section 3.6, CALYPSO hereby licenses to the Distributor the right to use, and hereby requires solely in association with the independent sale by the Distributor of the Agreement Products the use of, the Trademarks in the Territory during the term of this Agreement. The Distributor agrees that any and all goodwill developed in the Trademarks used by Distributor hereunder shall inure to and be owned by CALYPSO. The Distributor warrants that it shall not use any of the Trademarks at any time outside the Territory or use any of the Trademarks for any products other than the Agreement Products within the Territory. The Distributor shall not use a trademark or other mark (other than a Trademark) in connection with its distribution of the Agreement Products unless and until it has been agreed upon in writing by each of the parties and become a Trademark as defined herein. CALYPSO shall prosecute, maintain and defend the Trademarks throughout the Term of this Agreement in the Territory. Notwithstanding any of the above, the license to use the Trademarks in the Territory shall not include license to use the Patented Technology for manufacturing, reproduction or for any other use. Any licensing for the usage of the patented technology for manufacturing, reproduction or any other use by the Distributor other than marketing and selling the products provided by Supplier would be expressly prohibited absent a separate licensing agreement.

6.2. Termination of Right to Use Trademarks. Subject to the sell-out right of Section 3.3(b) and except as otherwise provided in Section 3.6, upon termination of this Agreement, the license to use the Trademarks in the Territory shall terminate, and the Distributor unconditionally agrees promptly to take all necessary action and execute and deliver to CALYPSO all necessary documents and instruments to remove the Distributor as a registered user and/or a recorded licensee of the Trademarks and to confirm that the goodwill in the Trademarks shall inure to the benefit of CALYPSO. In the event that the Distributor fails promptly upon written request by CALYPSO to comply with any of its agreements in the preceding sentence of this Section 6.2, the Distributor hereby irrevocably consents to CALYPSO's taking any action necessary to give effect to such agreements.

6.3. Notice. Each party hereto agrees promptly to notify the other in writing of any infringements or imitations of the Trademarks by third parties, which may come to its attention.

6.4. Labelling; Promotional Materials; Approved Use of Agreement Products.

(a) All labeling, packaging, instructions and specifications relating to the agreed products are subject to the express written approval of the Supplier prior to their use.

(b) The Distributor shall provide CALYPSO with copies of all marketing and promotional material relating to the Agreement Products prior to their use. All marketing and promotional material shall be consistent with the Product Guidelines and the relevant Product License Approvals, and deemed acceptable in such case. Any marketing and promotional material outside the scope of the Product Guidelines shall require the written approval of CALYPSO prior to their use.

(c) The Distributor agrees that its promotion, marketing, sale and distribution of the Agreement Products in the Territory, and the promotional materials and labelling used in connection therewith, shall be strictly in accordance with the approved use of the Agreement Products and as further provided in this Agreement.

6.5. Legend. Subject to applicable laws and regulations in the Territory, all relevant packaging and promotional material for the Agreement Products used or sold by the Distributor shall contain (i) all applicable markings needed to keep the Trademarks enforceable throughout the Territory as reasonably specified by CALYPSO to the Distributor and (ii) a legend which shall be displayed in a reasonably conspicuous manner on all packaging of such Agreement Products containing the corporate identification logo of CALYPSO and indicating that such product has been developed and manufactured by Calypso Wireless, Inc., and its affiliates.

7. Supply of Agreement Products.

7.1. General; Fee.

(a) CALYPSO agrees to sell the Agreement Products to the Distributor, on the terms and subject to the conditions set forth herein, for resale by the Distributor within the Territory, and the Distributor shall obtain the Agreement Products for resale in the Territory only from CALYPSO or its Affiliates. CALYPSO shall not sell the Agreement Products itself or supply of the Agreement Products to any third party for resale within the Territory, provided that CALYPSO's obligations under this sentence shall be subject to (i) applicable law and (ii) the provisions of this Agreement, including Section 2.3.

(b) CALYPSO aggress to make available a sufficient number of CALYPSO units to comply with the provisions of this Agreement, at a unit price to be determined under separate agreement.

(c) The failure by CALYPSO to receive all or any portion of the payments set forth in Section 7.1(b) above shall not invalidate, rescind, diminish or otherwise effect the grant of the distribution rights by CALYPSO to Distributor, unless such payment is earned by CALYPSO and Distributor subsequently fails to make such payment in a full or timely manner (a "Fee Payment Default").

7.2. Minimum Amounts.

(a) The Distributor hereby undertakes to purchase the following Minimum Amounts during each Agreement Year.

Agreement Years	**Minimum Purchases**
1	100,000 units upon execution of the agreement; 150,000 additional units purchased and delivered prior to the end of the contract year (400,000 additional units if exclusive Territory is expanded to include the European Union).
2-5	250,000 units per contract year. (500,000 units if exclusive Territory is expanded to include the European Union).

(b) If CALYPSO has appointed a new distributor in the Territory pursuant to Section 2.3 and the Distributor has the right to distribute the Agreement Products in the Territory, the supply pricing for the Distributor's purchase of the Agreement Products for sale in the Territory shall not exceed the supply pricing paid for the Agreement Products by such new distributor appointed by CALYPSO within the Territory. For the avoidance of doubt, in such event CALYPSO or any Affiliate of CALYPSO shall have the right to sell the Agreement Products in any such country at any price, including a price that is lower than the then applicable Minimum Price.

(c) The price initially payable by the Distributor to CALYPSO for each unit of the Agreement Products during each Agreement Year shall be the applicable Minimum Price (subject to adjustment at the close of each applicable Agreement Year in accordance with Section 7.2(d) below).

(d) CALYPSO shall retain the right to adjust the price of the units during each Agreement Year due to price inflation of phone parts, changes in the exchange rates and for any other reason that would otherwise increase the price of the parts used in the manufacturing process. Such price increases shall be notified within 30 days after the end of each Agreement Year.

(e) All purchases of the Agreement Products hereunder shall be billed and paid in U.S. Dollars upon delivery of the Agreement Products. Distributor shall make payments to CALYPSO by interbank transfer prior to the release of the Products.

7.3. Sales and Supply Forecasts; Accounts.

(a) At least 30 days prior the end of each Agreement Year, the Distributor shall provide to CALYPSO an updated supply forecast of units in excess of the minimum amounts as described in Section 7.2(a) above to be obtained by the Distributor for sale ("Supply Forecast"). The first of each Supply Forecast shall constitute a binding commitment by the Distributor to purchase such quantity of Agreement Products ("Binding Forecast").

7.4. Shipment and Delivery; Packaging; Shelf Life.

(a) The Agreement Products are sold FOB, Manufacturer.

(b) The Distributor shall submit a binding purchase order setting forth the quantities, delivery date and shipping instructions with respect to each shipment of the Agreement Products, such purchase orders to be received by CALYPSO at least 180 days prior to the requested delivery date. CALYPSO shall have no obligation to supply Distributor with quantities of the Agreement Products in excess of the amounts in the then current Supply Forecast for the relevant period. For the avoidance of doubt, all purchase orders submitted with respect to any Agreement Products prior to the Launch of such Agreement Product shall be binding.

7.5. Risk of Loss. CALYPSO shall bear all risk of loss of, or damage to, all units of the Agreement Products to the extent the same is in its possession or the possession of its Affiliates, nominees or agents. The Distributor shall bear all risk of loss of, or damage to, all units of the Agreement Products after delivery to a common carrier for shipment to the Distributor in accordance with Section 7.4.

7.6. Acceptance. All units of the Agreement Products delivered to Distributor pursuant to this Agreement shall be deemed accepted upon delivery to a common carrier for shipment. Any non-conformity which arises after acceptance by Distributor directly associated with Product quality and specification shall be the responsibility of CALYPSO unless such non-conformity is due to improper storage conditions subsequent to delivery of the Agreement Products. All other non-conformities of the Agreement Products shall be the responsibility of the Distributor. CALYPSO and the Distributor agree to consult with each other in order to resolve the discrepancy between each other's determinations. If such consultation does not resolve the discrepancy, the parties agree to nominate a reputable independent quality control company, acceptable to both parties, that shall carry out tests on representative samples taken from such shipment, and the results of such tests shall be binding on the parties. CALYPSO shall at its expense replace any such shipment to the extent that it does not conform to the Agreement Product Specifications. All defective units of the Agreement Products shall be returned to CALYPSO at the address set forth in Section 24 of this Agreement, accompanied or preceded by a reasonably detailed statement of the claimed defect or non-conformity and proof of date of purchase, and packed and shipped according to instructions provided by CALYPSO. The shipping costs of any such returned units shall be borne by CALYPSO, unless such units are determined not to be defective under the terms of this Agreement, in which case such shipping costs shall be borne by the Distributor.

7.7. Purchase Orders. The provisions of this Agreement shall prevail over any inconsistent statement or provisions contained in any document related to this Agreement passing between the parties hereto including, but not limited to, any purchase order, acknowledgment, confirmation or notice. All purchase orders shall be backed with an irrevocable letter of credit with appropriate draw down scheduling and may be provided under separate cover. Letter of credit shall be issued from respectable European Bank acceptable by CALYPSO.

7.8. Limited Warranty; Limitation on Liability.

CALYPSO represents and warrants that the Agreement Products supplied to the Distributor hereunder shall:

(a) conform to the Agreement Product Specifications, as applicable; and

(b) be manufactured substantially equivalent in quality and performance as the commercial samples provided by CALYPSO.

THE FOREGOING WARRANTY IS THE SOLE AND EXCLUSIVE WARRANTY GIVEN BY CALYPSO WITH RESPECT TO THE AGREEMENT PRODUCTS, AND CALYPSO GIVES AND MAKES NO REPRESENTATIONS OR WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, OTHER THAN THE FOREGOING. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, NO IMPLIED WARRANTY OF MERCHANTABILITY, NO IMPLIED WARRANTY OF FITNESS FOR ANY PARTICULAR PURPOSE, AND NO IMPLIED WARRANTY ARISING BY USAGE OF TRADE, COURSE OF DEALING OR COURSE OF PERFORMANCE IS GIVEN OR MADE BY CALYPSO OR SHALL ARISE BY OR IN CONNECTION WITH ANY SALE OR PROVISION OF THE AGREEMENT PRODUCTS BY CALYPSO, OR THE DISTRIBUTOR'S (OR ITS AFFILIATES') USE OR SALE OF THE AGREEMENT PRODUCTS, OR CALYPSO'S AND/OR THE DISTRIBUTOR'S (OR ITS AFFILIATES') CONDUCT IN RELATION THERETO OR TO EACH OTHER. NO REPRESENTATIVE OF CALYPSO IS AUTHORIZED TO GIVE OR MAKE ANY OTHER REPRESENTATION OR WARRANTY OR TO MODIFY THE FOREGOING WARRANTY IN ANY WAY.

The limited warranty set forth in this Section 7.8 does not apply to any non-conformity of the Agreement Products resulting from (a) repair or alteration by any party other than CALYPSO or its Affiliates, (b) misuse, negligence, abuse, accident, mishandling or storage in an improper environment by any party other than CALYPSO or its Affiliates, or (c) use, handling, storage or maintenance other than in accordance with instructions and recommendations provided by CALYPSO or its Affiliates.

CALYPSO's obligation with respect to units of the Agreement Products which do not meet the warranty contained herein is limited to replacement of such units of the Agreement Products as applicable, provided that such units are returned to CALYPSO accompanied by a reasonably detailed statement of the claimed defect or non-conformity and proof of purchase, and packed and shipped according to instructions provided by CALYPSO, and only if, upon examination by CALYPSO, such units of the Agreement Products are determined to have been defective under the terms of this Agreement.

CALYPSO'S LIABILITY, AND THE EXCLUSIVE REMEDY, IN CONNECTION WITH THE SALE OR USE OF THE AGREEMENT PRODUCTS (WHETHER BASED ON CONTRACT, NEGLIGENCE, BREACH OF WARRANTY, STRICT LIABILITY OR ANY OTHER LEGAL THEORY), SHALL BE STRICTLY LIMITED TO CALYPSO'S OBLIGATIONS AS SPECIFICALLY AND EXPRESSLY PROVIDED IN THIS SECTION 7.8 AND IN SECTION 9 BELOW. EXCEPT AS SPECIFICALLY PROVIDED IN THIS SECTION 7.8 AND IN SECTION 9 BELOW, CALYPSO SHALL HAVE NO LIABILITY, OBLIGATION OR RESPONSIBILITY OF ANY KIND, IN ANY WAY OR TO ANY EXTENT, FOR ANY DAMAGES, LOSSES, COSTS, EXPENSES OR LIABILITIES FOR ANY REPRESENTATION OR WARRANTY OF ANY KIND WITH RESPECT TO THE AGREEMENT PRODUCTS OR THE PERFORMANCE THEREOF, OR ARISING IN ANY WAY IN CONNECTION WITH THE PURCHASE OR USE OR INABILITY TO USE THE AGREEMENT PRODUCTS, EVEN IF CALYPSO HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. IN NO EVENT WHATSOEVER SHALL CALYPSO HAVE ANY LIABILITY, OBLIGATION OR RESPONSIBILITY FOR ANY INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL OR EXEMPLARY DAMAGES ARISING IN ANY WAY IN CONNECTION WITH THE AGREEMENT PRODUCTS OR THEIR SALE OR USE.

8. Advertising Revenue.

8.1. The promotion and obtaining of advertising revenue will be separately conducted by Franc Advertising, Ltd., on behalf of the Distributor.

8.2. Incremental Royalties. The Parties will negotiate at the earliest opportunity an agreement governing the solicitation of advertising and allocation and distribution of advertising revenue, which will provide CALYPSO to receive 7% of the gross revenue or a reasonable percentage to be negotiated at a later time.

9. Indemnification; Confidentiality; Public Announcement.

9.1. Indemnification from the Distributor. Subject to the provisions of Section 9.3, the Distributor shall defend, indemnify and hold CALYPSO and its Affiliates and their respective directors, officers, agents and employees harmless from and against any and all liabilities, claims, damages and expenses (including without limitation actual court costs and reasonable attorneys' fees regardless of outcome) resulting from claims of third parties or arising out of Distributors methods of operations, methods of sales, methods of representation, methods of advertising and any other actions not contemplated in this Agreement; provided, however, that upon CALYPSO being advised of any assertions of any such third party claims or suits or upon the bringing or filing of such claims or suits by any third party against CALYPSO, CALYPSO will promptly notify the Distributor thereof and CALYPSO may, at its option, permit the Distributor's attorneys to handle and control the defense of such claims or suits at the Distributor's cost and CALYPSO will co-operate with the Distributor in the defense thereof. The parties agree that there shall be no settlements, whether agreed to in court or out of court, without the prior written consent of the indemnifying party.

9.2. Indemnification from CALYPSO. Subject to the provisions of Section 9.3, CALYPSO shall defend, indemnify and hold the Distributor and its Affiliates and their respective directors, officers, agents and employees harmless from and against any and all liabilities, claims, damages and expenses (including without limitation actual court costs and reasonable attorneys' fees regardless of outcome) resulting from claims of third parties arising out of infringement of the Trademarks or Patents resulting from the sale of the Agreement Products or use of the Trademarks or Patents in the Territory; provided, however, that upon the Distributor being advised of any assertions of any such third party claims or suits or upon the bringing or filing of such claims or suits by any third party against the Distributor, the Distributor will promptly notify CALYPSO thereof and, at CALYPSO's cost, permit CALYPSO's attorneys to handle and control the defense of such claims or suits and will co-operate with CALYPSO in the defense thereof. The parties agree that there shall be no settlements, whether agreed to in court or out of court, without the prior written consent of the indemnifying party.

9.3. Limitation on Liability.

NOTWITHSTANDING ANY PROVISION TO THE CONTRARY IN SECTIONS 9.1 AND 9.2 ABOVE, OR ANY OTHER PROVISION OF THIS AGREEMENT, IN NO EVENT (INCLUDING THE FAULT, NEGLIGENCE OR STRICT LIABILITY OF EITHER PARTY) SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY FOR INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL OR EXEMPLARY DAMAGES OTHER THAN TO THE EXTENT NECESSARY TO REIMBURSE SUCH OTHER PARTY FOR DAMAGES ACTUALLY PAID TO A NON-AFFILIATED THIRD PARTY, PROVIDED THAT SUCH DAMAGES ARE OTHERWISE COVERED BY THE PROVISIONS OF SECTION 9.1 OR SECTION 9.2, AS THE CASE MAY BE.

9.4. Confidential Information. All information acquired by either party (the "Recipient") from the other party or any of its Affiliates (the "Discloser") during the term of this Agreement or prior to the Effective Date, relating directly or indirectly to the present or potential business, operations, corporate, technical or financial situation of the Discloser, or to manufacturing know-how, patents, data, test results, techniques, processes, procedures, raw materials, dealer, supplier and customer lists, or any improvements thereof of the Discloser ("Confidential Information") is confidential, and shall be held in trust by the Recipient for the exclusive benefit of the Discloser. Unless otherwise agreed to in writing by the Discloser, the Recipient shall not at any time, either during or subsequent to the term of this Agreement, use for itself (other than in accordance with the terms of this Agreement) or any other Person, or disclose or divulge to any Person, other than to those of its employees and advisors and Affiliates who require the same for the purposes hereof and who are bound by the same obligations of confidentiality, non-disclosure and non-use as set forth herein, any Confidential Information or any other confidential or proprietary information of the Discloser of which the Recipient may acquire knowledge; provided, however, that the confidentiality, non-disclosure and non-use provisions contained in this Section 9.4 shall not apply to any information or data to the extent that the Recipient:

(a) shall demonstrate by clear and convincing evidence that such information or data is known generally to persons in the trade through no act or omission of the Recipient or any of its Affiliates;

(b) is required by any government authority to disclose such information or data, including without limitation for the purposes of obtaining and maintaining any Product License Approvals under this Agreement; or

(c) shall demonstrate by its written records was disclosed to or created by it or its Affiliates on a non-confidential basis from a source other than the Discloser or its Affiliates and that such disclosure or creation did not constitute a breach of any applicable confidentiality obligations.

Confidential Information shall be immediately returned to the Discloser upon termination of this Agreement, along with any copies, reproductions, digests, abstracts or the like of all or any part thereof in the Recipient's possession or under the Recipient's control, and upon such return any computer entries or the like relating thereto shall, to the extent legally permissible, be destroyed. Such return (and destruction) will not affect the Recipient's obligations hereunder which shall survive indefinitely. Notwithstanding anything herein to the contrary, the provisions of this Section 9.4 shall be subject to CALYPSO's rights under Section 3.6.

9.5. Public Announcement. Except as shall be necessary for governmental notification purposes or to comply with applicable laws and regulations, and except as otherwise agreed to by the parties hereto in writing, the parties agree to keep the existence of this Agreement, and the transactions contemplated hereby, strictly confidential. In the event that a party must file this document or otherwise disclose any of its subject matter pursuant to public filing requirements, such party shall seek confidential treatment of those portions of the Agreement as the parties shall mutually agree upon. The parties shall agree upon the text of an initial public announcement relating to the transactions contemplated by this Agreement as soon as possible. Any subsequent public announcements regarding this Agreement or the transactions contemplated herein shall also be agreed upon in writing between the parties prior to any release thereof.

10. New Products.

10.1 Distributor will, from time to time, suggest and discusses possible hardware and software modifications of the Agreement Products with CALYPSO and the expanded use of CALYPSO's ASNAP technology and will discuss all possible joint venture opportunities.

10.2. Nothing in this Section 10 shall be construed, by implication or otherwise, (i) to effect any sale or license of proprietary CALYPSO technology (including any New Products), (ii) to grant any license relating to CALYPSO's proprietary methods of formulating, fabricating and manufacturing the Agreement Products or New Products, or (iii) to grant Distributor any rights in or to any proprietary technology or patents or trademarks of CALYPSO.

11. Licensing the Agreement Products for Manufacture. The Parties shall discuss the possibility to enter into a licensing agreement for the manufacturing of the Agreement Products utilizing Calypso's Patents. Notwithstanding the above, CALYPSO shall have the right to assign, license or negotiate with any other company the manufacturing of the Agreement Products utilizing the Calypso Patents outside the Distributor's Territory.

12. Representations of CALYPSO. CALYPSO represents, warrants and covenants as follows:

12.1. It is a corporation duly organized and validly existing under the laws of the State of Delaware with the full power to conduct its affairs as currently conducted and contemplated hereunder. All necessary action has been taken to enable it to execute and deliver this Agreement and perform its obligations hereunder.

12.2. This Agreement is a valid and binding obligation of CALYPSO enforceable in accordance with its terms. CALYPSO has the unencumbered right to enter into this Agreement and to fulfill its duties hereunder. It is not and will not become a party to any agreement in conflict herewith. Accordingly, CALYPSO has the right to appoint the Distributor as the exclusive distributor of the Agreement Products in the Territory in accordance with the terms of this Agreement and such appointment will not constitute a breach of any existing contractual or other arrangements between CALYPSO and any Affiliated or non-Affiliated third party, nor shall it infringe the rights of any Affiliated or non-Affiliated third party.

12.3 No approval, consent, order, authorization or license by, giving notice to or taking any other action with respect to, any governmental or regulatory authority is required in connection with the execution and delivery of this Agreement by CALYPSO and the performance by CALYPSO of its obligations hereunder.

13. Representations of the Distributor. The Distributor represents, warrants and covenants as follows:

13.1 It is a corporation duly organized and validly existing under the laws of England with full power to conduct its affairs as currently conducted and contemplated hereunder. All necessary action has been taken to enable it to execute and deliver this Agreement and perform its obligations hereunder.

13.2. This Agreement is the Distributor's valid and binding obligation enforceable in accordance with its terms. The Distributor has the unencumbered right to enter into this Agreement and to fulfill its obligations hereunder. It is not and will not become a party to any agreement in conflict herewith. Accordingly, the Distributor has the right to act as the exclusive distributor of the Agreement Products in the Territory in accordance with the terms of this Agreement and the performance of its obligations hereunder will not constitute a breach of any existing contractual or other arrangements between the Distributor and any Affiliated or non-Affiliated third party, nor shall it infringe the rights of any Affiliated or non-Affiliated third party.

13.3. No approval, consent, order, authorization or license by, giving notice to or taking any other action with respect to any governmental or regulatory authority is required in connection with the execution and delivery of this Agreement by the Distributor and the performance by the Distributor of its obligations hereunder.

14. Insurance. Each party hereto shall (a) obtain and maintain such insurance policies as are adequate to cover its respective obligations hereunder and which are consistent with normal business practices of prudent companies similarly situated and (b) provide the other party, upon request, with certificates of insurance confirming the existence of such insurance policies.

15. Infringement. Each of the Distributor and CALYPSO will promptly notify the other party in writing of any infringement of a Patent or Trademark or unauthorized disclosure or use of any Confidential Information, of which it becomes aware in the Territory. CALYPSO shall have the exclusive right at its own cost to take all legal action in the Territory it deems necessary or advisable to eliminate or minimize the consequences of such infringement of a Patent or Trademark in the Territory. For the purpose of taking any such legal action, CALYPSO shall have the right, subject to the Distributor's consent which consent shall not be unreasonably withheld or delayed, to use the name of the Distributor as plaintiff, either solely or jointly in accordance with the applicable rules of procedure; provided that CALYPSO shall give the Distributor prior notice of such use of the Distributor's name. The Distributor shall promptly furnish CALYPSO with whatever written authority may be required in order to enable CALYPSO to use the Distributor's name in connection with any such legal action, and shall otherwise cooperate fully and promptly with CALYPSO in connection with any such action. All proceeds realized upon any judgment or settlement regarding such action shall belong to CALYPSO.

16. Further Assurances. The parties hereto agree to execute such further or other documents and assurances as are necessary from time to time in order to give effect to the provisions of this Agreement.

17. Assignment. The rights and obligations of the parties hereto shall inure to the benefit of and shall be binding upon the authorized successors and permitted assigns of each party. Neither party may assign its rights or obligations under this Agreement or may designate another person to perform all or part of its obligations under this Agreement, or to have all or part of its rights and benefits under this Agreement without the prior written consent of the other party, except to an Affiliate or to a successor of the business, by merger or otherwise, to which this Agreement relates, provided that in the case of an assignment to an Affiliate the assigning party shall promptly notify the other party in writing of such assignment and shall remain liable (both directly and as guarantor) with respect to all obligations so assigned. In the event of any assignment or in the event that an Affiliate of either party shall exercise rights and/or perform obligations hereunder pursuant to the terms of this Agreement, the assignee or Affiliate, as the case may be, shall specifically assume and be bound by the provisions of the Agreement by executing and agreeing to an assumption agreement satisfactory to the other party hereto.

18. Governing Law; Arbitration; Injunctive Relief.

(a) Governing Law. This Agreement shall be governed by and construed in accordance with the internal and substantive laws of the State of Florida, United States of America, and shall not be governed by the United Nations Convention for International Sale of Goods.

(b) Dispute Resolution. In the event of any dispute touching or concerning this Agreement, the parties hereby agree to submit such dispute:

(i) first, to the most senior executive officer of the business unit of each party responsible for the business of the Agreement Products, or their designees, and if the dispute is not successfully resolved by these senior executive officers within a period of twenty (20) days through good faith discussions, or such other period as is agreed upon in writing by the parties; then

(ii) second, for arbitration in Miami, Florida under the Rules of the American Arbitration Association in effect on the date of this Agreement (the "Rules") by arbitrators appointed in accordance with said Rules. Any decision of such arbitrators shall be written and shall be final and binding upon the parties. In any arbitration pursuant to this Section the award shall be rendered by a majority of three (3) arbitrators, one (1) of whom shall be appointed by each party and the third of whom shall be appointed by mutual agreement of the two (2) party-appointed arbitrators. In the event of failure of a party to appoint an arbitrator within thirty (30) days after commencement of the arbitration proceeding or in the event of failure of the two (2) party-appointed arbitrators to agree upon the appointment of the third arbitrator within thirty (30) days after commencement of the arbitration proceeding, such arbitrator shall be appointed by the American Arbitration Association in accordance with the Rules. The arbitrators shall apply the governing law set forth in this Section. Judgment upon an award rendered by the arbitrators may be entered in any court having jurisdiction thereof.

(c) Each of the parties hereto acknowledges and agrees that damages will not be an adequate remedy for any material breach or violation of this Agreement if such material breach or violation would cause immediate and irreparable harm (an “Irreparable Breach”). Accordingly, notwithstanding the provisions of Section 19(a) to the contrary, in the event of a threatened or ongoing Irreparable Breach, each party hereto shall be entitled to seek, in any state or federal court in the state of the principal offices of the other party, equitable relief of a kind appropriate in light of the nature of the ongoing threatened Irreparable Breach, which relief may include, without limitation, specific performance or injunctive relief; provided, however, that if the party bringing such action is unsuccessful in obtaining the relief sought, the moving party shall pay the non-moving party’s reasonable costs, including attorney’s fees, incurred in connection with defending such action. Such remedies shall not be the parties’ exclusive remedies, but shall be in addition to all other remedies provided in this Agreement.

19. Severability. In the event that any provision of this Agreement shall be held by a court of competent jurisdiction or by any governmental body to be invalid or unenforceable, such provision shall be deemed severable and the remaining parts and provisions of this Agreement shall remain in full force and effect.

20. Force Majeure. Each of the parties shall be excused from the performance of its obligations hereunder in the event such performance is prevented by force majeure, and such excuse shall continue as long as the condition constituting such force majeure continues. For the purpose of this Agreement, force majeure is defined as contingencies beyond the reasonable control of either party, including, without limitation, acts of God, judicial or regulatory action, war, civil commotion, destruction of production facilities or materials by fire, earthquake or storm and labor disturbances (whether or not any such labor disturbance is within the power of the affected party to settle).

21. Interest. Any overdue amounts payable by either party hereunder shall bear interest compounded monthly at 1.5%, or, if lower, the highest rate permissible by applicable law, from the due date until the date of payment.

22. No Partnership or Agency. This Agreement and the relations hereby established by and between CALYPSO and the Distributor do not constitute a partnership, joint venture, agency or contract of employment between them. The relationship between the parties established by this Agreement shall be solely that of vendor and vendee and all rights and powers not expressly granted to the Distributor are expressly reserved to CALYPSO. The Distributor shall have no right, power or authority in any way to bind CALYPSO to the fulfillment of any condition not herein contained, or to any contract or obligation, expressed or implied. The Distributor specifically agrees that it shall have no power or authority to represent the CALYPSO in any manner; that it will solicit orders for products as an independent contractor in accordance with the terms of this Agreement; and that it will not at any time represent orally or in writing to any person or corporation or other business entity that it has any right, power or authority not expressly granted by this Agreement.

23. Notices. All communications in connection with this Agreement shall be in writing and delivered personally or sent by postage prepaid first class mail, nationally recognized overnight courier service, or facsimile, and if relating to default, late payment or termination, delivered personally or by certified mail, return receipt requested, facsimile or courier, addressed to each party as set forth below:

To CALYPSO:
CALYPSO WIRELESS, INC.
5753 NW 158 Street
Miami Lakes, Florida 33014
Attention: President, George Schilling
Telephones: 305 828-1483
305 828-6230 Fax

To Distributor:
FRANC TELECOM, LTD.
J M Doon Pandit
13 Austin Friars
London, England EC2N2JX

And

Willian VanDercreek
P.O. Box 1328
Tallahassee, FL. 32302
3810 Longford Dr.
Tallahassee, FL. 32309

or to such other address as the addressee shall last have designated by notice to the communicating party. The date of giving any notice shall be the date of its actual receipt.

24. Survival. The provisions of Sections 3.3, 3.6, 3.7, 3.8, 6.2, 9.1, 9.2, 9.3, 9.4, 9.5, 11, 18 and 24 of this Agreement shall survive the termination or expiration of this Agreement (as the case may be) and shall remain in full force and effect. The provisions of this Agreement that do not survive termination or expiration hereof (as the case may be) shall, nonetheless, be controlling on, and shall be used in construing and interpreting the rights and obligations of the parties hereto with regard to, any dispute, controversy or claim which may arise under, out of, or in connection with this Agreement.

25. Miscellaneous. This Agreement sets forth the entire agreement between the parties with respect to the transactions and arrangements contemplated hereby and supersedes all prior oral or written arrangements. This Agreement may be modified or amended only by a written instrument executed and delivered by both parties. None of the provisions of this Agreement shall be deemed to have been waived by any act or acquiescence on the part of either party except by an instrument in writing signed and delivered by the party executing the waiver. This Agreement may be executed in several identical counterparts, each of which shall be an original, but all of which constitute one instrument, and in making proof of this Agreement it shall not be necessary to produce or account for more than one such counterpart.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date and year first above written.

CALYPSO: CALYPSO WIRELESS, INC.

By**: /s/ George Schilling - President-CEO**
(Authorized Officer)

DISTRIBUTOR: FRANC TELECOM, LTD

By: **/s/s JM - Franc Telecom.**
(Authorized Officer)

EXHIBITS

Exhibit A — Agreement Products Specification and Approval Documents

Exhibit B — Patents and Trademarks

EXHIBIT A

Agreement Products Specification and Approval Documents

EXHIBIT B

Patents and Trademarks

Patents

Trademarks

CODE OF ETHICS AND BUSINESS CONDUCT FOR OFFICERS, DIRECTORS AND EMPLOYEES OF CALYPSO WIRELESS, INC.

1. TREAT IN AN ETHICAL MANNER THOSE TO WHOM CALYPSO WIRELESS, INC. HAS AN OBLIGATION

The officers, directors and employees of Calypso Wireless, Inc. (the "Company") are committed to honesty, just management, fairness, providing a safe and healthy environment free from the fear of retribution, and respecting the dignity due everyone. For the communities in which we live and work we are committed to observe sound environmental business practices and to act as concerned and responsible neighbors, reflecting all aspects of good citizenship.

For our shareholders we are committed to pursuing sound growth and earnings objectives and to exercising prudence in the use of our assets and resources.

For our suppliers and partners we are committed to fair competition and the sense of responsibility required of a good customer and teammate.

2. PROMOTE A POSITIVE WORK ENVIRONMENT

All employees want and deserve a workplace where they feel respected, satisfied, and appreciated. We respect cultural diversity and will not tolerate harassment or discrimination of any kind -- especially involving race, color, religion, gender, age, national origin, disability, and veteran or marital status.

Providing an environment that supports honesty, integrity, respect, trust, responsibility, and citizenship permits us the opportunity to achieve excellence in our workplace. While everyone who works for the Company must contribute to the creation and maintenance of such an environment, our executives and management personnel assume special responsibility for fostering a work environment that is free from the fear of retribution and will bring out the best in all of us. Supervisors must be careful in words and conduct to avoid placing, or seeming to place, pressure on subordinates that could cause them to deviate from acceptable ethical behavior.

3. PROTECT YOURSELF, YOUR FELLOW EMPLOYEES, AND THE WORLD WE LIVE IN

We are committed to providing a drug-free, safe and healthy work environment, and to observing environmentally sound business practices. We will strive, at a minimum, to do no harm and where possible, to make the communities in which we work a better place to live. Each of us is responsible for compliance with environmental, health and safety laws and regulations.

4. KEEP ACCURATE AND COMPLETE RECORDS

We must maintain accurate and complete Company records. Transactions between the Company and outside individuals and organizations must be promptly and accurately entered in our books in accordance with generally accepted accounting practices and principles. No one should rationalize or even consider misrepresenting facts or falsifying records. It will not be tolerated and will result in disciplinary action.

5. OBEY THE LAW

We will conduct our business in accordance with all applicable laws and regulations. Compliance with the law does not comprise our entire ethical responsibility. Rather, it is a minimum, absolutely essential condition for performance of our duties. In conducting business, we shall:

A. STRICTLY ADHERE TO ALL ANTITRUST LAWS

Officer, directors and employees must strictly adhere to all antitrust laws. Such laws exist in the United States and in many other countries where the Company may conduct business. These laws prohibit practices in restraint of trade such as price fixing and boycotting suppliers or customers. They also bar pricing intended to run a competitor out of business; disparaging, misrepresenting, or harassing a competitor; stealing trade secrets; bribery; and kickbacks.

B. STRICTLY COMPLY WITH ALL SECURITIES LAWS

In our role as a publicly owned company, we must always be alert to and comply with the security laws and regulations of the United States and other countries.

I. DO NOT ENGAGE IN SPECULATIVE OR INSIDER TRADING

Federal law and Company policy prohibits officers, directors and employees, directly or indirectly through their families or others, from purchasing or selling company stock while in the possession of material, non-public information concerning the Company. This same prohibition applies to trading in the stock of other publicly held companies on the basis of material, non-public information. To avoid even the appearance of impropriety, Company policy also prohibits officers, directors and employees from trading options on the open market in Company stock under any circumstances.

Material, non-public information is any information that could reasonably be expected to affect the price of a stock. If an officer, director or employee is considering buying or selling a stock because of inside information they possess, they should assume that such information is material. It is also important for the officer, director or employee to keep in mind that if any trade they make becomes the subject of an investigation by the government, the trade will be viewed after-the-fact with the benefit of hindsight. Consequently, officers, directors and employees should always carefully consider how their trades would look from this perspective.

Two simple rules can help protect you in this area: (1) Do not use non-public information for personal gain. (2) Do not pass along such information to someone else who has no need to know.

This guidance also applies to the securities of other companies for which you receive information in the course of your employment at The Company

II. BE TIMELY AND ACCURATE IN ALL PUBLIC REPORTS

As a public company, the Company must be fair and accurate in all reports filed with the United States Securities and Exchange Commission. Officers, directors and management of the Company are responsible for ensuring that all reports are filed in a timely manner and that they fairly present the financial condition and operating results of the Company.

Securities laws are vigorously enforced. Violations may result in severe penalties including forced sales of parts of the business and significant fines against the Company. There may also be sanctions against individual employees including substantial fines and prison sentences.

The principal executive officer and principal financial officer will certify to the accuracy of reports filed with the SEC in accordance with the Sarbanes-Oxley Act of 2002. Officers and Directors who knowingly or willingly make false certifications may be subject to criminal penalties or sanctions including fines and imprisonment.

6. AVOID CONFLICTS OF INTEREST

Our officers, directors and employees have an obligation to give their complete loyalty to the best interests of the Company. They should avoid any action that may involve, or may appear to involve, a conflict of interest with the Company. Officers, directors and employees should not have any financial or other business relationships with suppliers, customers or competitors that might impair, or even appear to impair, the independence of any judgment they may need to make on behalf of the Company.

HERE ARE SOME WAYS A CONFLICT OF INTEREST COULD ARISE:

- Employment by a competitor, or potential competitor, regardless of the nature of the employment, while employed by the Company
- Acceptance of gifts, payment, or services from those seeking to do business with the Company.
- Placement of business with a firm owned or controlled by an officer, director or employee or his/her family.
- Ownership of, or substantial interest in, a company that is a competitor, client or supplier.
- Acting as a consultant to the Company's customer, client or supplier.
- Seeking the services or advice of an accountant or attorney who has provided services to the Company

Officers, directors and employees are under a continuing obligation to disclose any situation that presents the possibility of a conflict or disparity of interest between the officer, director or employee and the Company. Disclosure of any potential conflict is the key to remaining in full compliance with this policy.

7. COMPETE ETHICALLY AND FAIRLY FOR BUSINESS OPPORTUNITIES

We must comply with the laws and regulations that pertain to the acquisition of goods and services. We will compete fairly and ethically for all business opportunities. In circumstances where there is reason to believe that the release or receipt of non-public information is unauthorized, do not attempt to obtain and do not accept such information from any source.

If you are involved in Company transactions, you must be certain that all statements, communications, and representations are accurate and truthful.

8. AVOID ILLEGAL AND QUESTIONABLE GIFTS OR FAVORS

The sale and marketing of our products and services should always be free from even the perception that favorable treatment was sought, received, or given in exchange for the furnishing or receipt of business courtesies. Officers, directors and employees of the Company will neither give nor accept business courtesies that constitute, or could be reasonably perceived as constituting, unfair business inducements or that would violate law, regulation or policies of the Company, or could cause embarrassment to or reflect negatively on the Company's reputation.

9. MAINTAIN THE INTEGRITY OF CONSULTANTS, AGENTS, AND REPRESENTATIVES

Business integrity is a key standard for the selection and retention of those who represent the Company. Agents, representatives and consultants must certify their willingness to comply with the Company's policies and procedures and must never be retained to circumvent our values and principles. Paying bribes or kickbacks, engaging in industrial espionage, obtaining the proprietary data of a third party without authority, or gaining inside information or influence are just a few examples of what could give us an unfair competitive advantage and could result in violations of law.

10. PROTECT PROPRIETARY INFORMATION

Proprietary Company information may not be disclosed to anyone without proper authorization. Keep proprietary documents protected and secure. In the course of normal business activities, suppliers, customers and competitors may sometimes divulge to you information that is proprietary to their business. Respect these confidences.

11. OBTAIN AND USE COMPANY ASSETS WISELY

Personal use of Company property must always be in accordance with corporate policy. Proper use of Company property, information resources, material, facilities and equipment is your responsibility. Use and maintain these assets with the utmost care and respect, guarding against waste and abuse, and never borrow or remove Company property without management's permission.

12. FOLLOW THE LAW AND USE COMMON SENSE IN POLITICAL CONTRIBUTIONS AND ACTIVITIES

The Company encourages its employees to become involved in civic affairs and to participate in the political process. Employees must understand, however, that their involvement and participation must be on an individual basis, on their own time and at their own expense. In the United States, federal law prohibits corporations from donating corporate funds, goods, or services, directly or indirectly, to candidates for federal offices -- this includes employees' work time. Local and state laws also govern political contributions and activities as they apply to their respective jurisdictions.

13. BOARD COMMITTEES.

The Company shall empower its Audit Committee to enforce this **Code of Ethics**. The Audit Committee will report to the Board of Directors at least once each year regarding the general effectiveness of the Company's **Code of Ethics**, the Company's controls and reporting procedures and the Company's business conduct.

14. DISCIPLINARY MEASURES.

The Company shall consistently enforce its **Code of Ethics** and Business Conduct through appropriate means of discipline. Violations of the Code shall be promptly reported to the Audit Committee. Pursuant to procedures adopted by it, the Audit Committee shall determine whether violations of the Code have occurred and, if so, shall determine the disciplinary measures to be taken against any employee or agent of the Company who has so violated the Code.

The disciplinary measures, which may be invoked at the discretion of the Audit Committee, include, but are not limited to, counseling, oral or written reprimands, warnings, probation or suspension without pay, demotions, reductions in salary, termination of employment and restitution.

Persons subject to disciplinary measures shall include, in addition to the violator, others involved in the wrongdoing such as (i) persons who fail to use reasonable care to detect a violation, (ii) persons who if requested to divulge information withhold material information regarding a violation, and (iii) supervisors who approve or condone the violations or attempt to retaliate against employees or agents for reporting violations or violators.

CERTIFICATIONS

I, George Schilling, President and Chief Executive Officer of Calypso Wireless, Inc. (the "Company"), certify that:

1. I have reviewed this annual report on Form 10-KSB of the Company;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

Date: May 5, 2005

By:/s/ George Schilling
George Schilling
President and Chief Executive Officer

CERTIFICATIONS

I, John W. Stump, III, Chief Financial Officer of Calypso Wireless, Inc. (the "Company"), certify that:

1. I have reviewed this annual report on Form 10-KSB of the Company;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

Date:May 5, 2005

By:/s/ John W. Stump, III
John W. Stump, III
Chief Financial Officer

Certification Pursuant to 18 U.S.C. § 1350
(Section 906 of Sarbanes-Oxley Act of 2002)

Calypso Wireless, Inc.

In connection with the Annual Report of Calypso Wireless, Inc. (the "Company") on Form 10-KSB for the period ending December 31, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, George Schilling, President and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to Calypso Wireless, Inc. and will be retained by Calypso Wireless, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Dated: May 5, 2005

By:/s/ George Schilling
George Schilling
President and Chief Executive Officer

Certification Pursuant to 18 U.S.C. § 1350
(Section 906 of Sarbanes-Oxley Act of 2002)

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Calypso Wireless, Inc.

In connection with the Annual Report of Calypso Wireless, Inc. (the "Company") on Form 10-KSB for the period ending December 31, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John W. Stump, III, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to Calypso Wireless, Inc. and will be retained by Calypso Wireless, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Dated: May 5, 2005

By:/s/ John W. Stump, III
John W. Stump, III Chief Financial Officer
