

UTSTARCOM INC
Form 10-K/A
May 20, 2011

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 10-K/A

(Amendment No. 2)

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934**

For the Fiscal Year Ended December 31, 2010

Or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the transition period from to

Commission File Number: 000-29661

UTSTARCOM, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

52-1782500

(I.R.S. Employer
Identification No.)

52-2 Building, BDA International Enterprise Avenue

No. 2 Jingyuan North Street

Daxing District, Beijing, P.R. China

(Address of principal executive offices)

100176

(Zip Code)

Registrant's telephone number, including area code: **+86(10) 8520-5588**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, \$0.00125 par value	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has 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 registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☒

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not 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-K or any amendment to this Form 10-K. ☐

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐
(Do not check if a smaller reporting company)

Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the voting stock held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter was approximately \$209,790,492 based upon the closing price of \$1.84 reported for such date on The NASDAQ Stock Market, LLC. For purposes of this disclosure, shares of Common Stock held by persons who hold more than 10% of the outstanding shares of Common Stock and shares held by officers and directors of the registrant, have been excluded in that such persons may be deemed to be affiliates. This determination is not necessarily conclusive for other purposes.

As of April 30, 2011, the registrant had 156,129,775 outstanding shares of Common Stock.

DOCUMENT INCORPORATED BY REFERENCE

None.

EXPLANATORY NOTE

UTStarcom, Inc. (the **Registrant**, the **Company** or **UTStarcom**) is filing this Amendment No. 2 on Form 10-K/A (**Amendment No. 2**) to amend the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2010 filed with the Securities and Exchange Commission (the **SEC**) on March 16, 2011, as amended (**2010 Form 10-K**) on April 19, 2011 (**Amendment No. 1**), to (i) amend and restate in their entirety a certain portion of Part I, Item 1A, Part II, Item 7 and all of Item 9A of the 2010 Form 10-K to address comments of the staff of the SEC received by letters dated May 9, 2011 and May 18, 2011 relating to the 2010 Form 10-K in order to provide additional information relating to the Registrant's right to repurchase its shares issued in connection with the acquisition of Stage Smart Limited and to provide additional detail regarding the material weakness identified in the Registrant's internal controls on financial reporting and the related transfer of funds and to make corresponding changes to the related risk factor, and (ii) update and correct the security ownership information of certain beneficial owners and management provided in Part III, Item 12 of the 2010 Form 10-K as amended by Amendment No.1. In order to preserve the nature and character of the disclosures as originally filed, except as specifically discussed in this Amendment No. 2, no attempt has been made to modify or update such disclosures for events which occurred subsequent to the original filing on March 16, 2011. Accordingly, this Amendment No. 2 should be read in conjunction with the Registrant's subsequent filings with the SEC.

ITEM 1A. RISK FACTORS FACTORS AFFECTING FUTURE OPERATING RESULTS RISKS RELATED TO OUR BUSINESS

The following replaces in its entirety the disclosure in the 2010 Form 10-K under the below indicated heading, which begins on page 32 of the 2010 Form 10-K and page 4 of Amendment No. 1.

Failure to achieve and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 could have a material adverse effect on our business and stock price.

Section 404 of the Sarbanes-Oxley Act of 2002 (the **Sarbanes-Oxley Act**) requires that we establish and maintain an effective internal control structure and procedures for financial reporting and include a report of management on our internal control over financial reporting. Our Annual Report on Form 10-K must contain an assessment by management of the effectiveness of our internal control over financial reporting and must include disclosure of any material weaknesses in internal control over financial reporting that we have identified. In addition, our independent registered public accounting firm must attest to the effectiveness of our internal control over financial reporting.

We have in the past and as of December 31, 2010 identified material weaknesses in our internal control over financial reporting and have concluded that our internal controls over financial reporting were not effective as of December 31, 2010. The material weaknesses could result in potential losses to the Company due to misappropriation of assets that might not be prevented or detected. For example, because we did not maintain adequate segregation of duties and implement appropriate approval requirements for non-routine transactions relating to cash management, an unauthorized bank account in the name of the Company was opened and a 150 million RMB wire transfer was made to the account without appropriate analysis of the business rationale and adequate authorization of the transfer. We were informed by the bank that a third party subsequently attempted to transfer 20 million RMB from the account, but the bank refused. The requirements of Section 404 of the Sarbanes-Oxley Act are ongoing and also apply to future years. We expect that our internal control over financial reporting will continue to evolve as we continue in our efforts to transform our business. Although we are committed to continue to improve our internal control processes and we will continue to diligently and vigorously review our internal control over financial reporting in order to ensure compliance with the Section 404 requirements, any control system, regardless of how well designed, operated and evaluated, can provide only reasonable, not absolute, assurance that its objectives will be met. In addition, successful remediation of the noted control deficiencies is dependent on our ability to hire and retain qualified personnel. Therefore, we cannot be certain that we will be able to successfully remediate our existing material weaknesses or that in the future, additional material weaknesses or significant deficiencies will not exist or otherwise be discovered.

PART II

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - OVERVIEW

The following replaces in its entirety the disclosure in the 2010 Form 10-K under the indicated heading, which begins on page 54 of the 2010 Form 10-K and page 5 of Amendment No. 1.

Acquisition

On October 16, 2010, we entered into an Ordinary Shares Purchase Agreement with Stage Smart Limited (**Stage Smart**) and Smart Frontier Holdings Limited (**Smart Frontier**), the sole shareholder of Stage Smart, to enable us to launch an internet TV platform to generate revenue through subscription, advertising and value-added service in the coming years. Pursuant to the Ordinary Shares Purchase Agreement, we agreed to purchase from Smart Frontier 5,100,000 ordinary shares of Stage Smart held by Smart Frontier (the **Purchase Shares**) for an aggregate purchase price of \$10.0 million paid in the form of the number of shares of our common stock calculated by dividing \$10.0 million by the average closing price per share of our common stock quoted on the NASDAQ stock market for the thirty day period immediately preceding the date of closing of the transaction which closely approximates the market value on the day of issuance. Pursuant to the Ordinary Shares Purchase Agreement, the Company has the right to repurchase the Company's shares issued as part of the consideration to Smart Frontier if by the one year anniversary of the closing date regulatory approvals have not been obtained as outlined in the post-closing covenants. The repurchase would be effected through an exchange with Smart Frontier of the 5,100,000 ordinary shares of Stage Smart the Company purchased in the transaction for all of the UTStarcom shares issued to Smart Frontier in the transaction. Concurrent with entering into the Ordinary Shares Purchase Agreement, we also entered into a Series A Preference Shares Purchase Agreement with Stage Smart and its affiliated entity, its wholly owned subsidiaries, and Smart Frontier. Pursuant to the Series A Preference Shares Purchase Agreement, we agreed to purchase from Stage Smart 9,600,000 Series A Preference Shares of Stage Smart at a price of \$2.08333 per share, for an aggregate consideration of \$20.0 million payable in cash. There is no repurchase right related to Series A Preference Shares. The Purchase Shares and the Series A Preference Shares together constitute 75% of the total shares of Stage Smart which gives the Company control over Stage Smart. From the date of acquisition of November 8, 2010, Stage Smart and its affiliated entity and its wholly owned subsidiaries were consolidated into our results. We recorded intangible assets and goodwill of \$5.0 million and \$13.8 million, respectively. See Note 11 of Notes to our Consolidated Financial Statements included under Part II, Item 8 of this Annual Report on Form 10-K. In the event of the exercise of the repurchase right, our interest in Stage Smart would be reduced to 49% and Smart Frontier would hold 51% of the outstanding equity securities of Stage Smart and notwithstanding our investment in the Series A Preference Shares, we would no longer have control over Stage Smart.

ITEM 9A. CONTROLS AND PROCEDURES

The following replaces in its entirety the disclosure in the 2010 Form 10-K under the heading **Item 9A. Controls and Procedures** , which begins on page 155 of the 2010 Form 10-K and page 5 of Amendment No. 1.

Evaluation of Disclosure Controls and Procedures

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The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports the Company files or submits under the Securities Exchange Act of 1934, as amended (the **Exchange Act**), is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's (**SEC**) rules and forms, and that such information is accumulated and communicated to the Company's management, including its chief executive officer (**CEO**) and chief financial officer (**CFO**), as appropriate, to allow timely decisions regarding required disclosures.

In connection with the preparation of this annual report on Form 10-K (**Form 10-K**), the Company's management carried out an evaluation as of December 31, 2010 under the supervision and with the participation of the CEO and CFO,

of the effectiveness of the design and operation of the Company's disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based upon this evaluation, the CEO and CFO concluded that as of December 31, 2010 the Company's disclosure controls and procedures were not effective because of the material weaknesses described below under "Management's Annual Report on Internal Control over Financial Reporting."

To address the material weaknesses identified in the Company's evaluation of internal control over financial reporting, the Company implemented additional procedures (described below under the subheading *Remediation Initiatives Implemented By the Management*) to ensure that the Company's consolidated financial statements as of and for year ended December 31, 2010, including the quarterly periods, were prepared in accordance with generally accepted accounting principles in the United States (**GAAP**). Accordingly, Company management believes that the consolidated financial statements included in this Form 10-K fairly present in all material respects the Company's financial condition, results of operations and cash flows for the periods presented and that this Form 10-K 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 periods covered by this report.

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with GAAP. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Management has conducted, with the participation of the CEO and CFO, an assessment, including testing, of the effectiveness of the Company's internal control over financial reporting as of December 31, 2010. In making its assessment, management used the criteria in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (**COSO**).

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses in internal control over financial reporting have been identified as of December 31, 2010.

1. *The Company did not maintain effective controls over the period-end financial reporting process.* Specifically, the Company's controls did not operate effectively to ensure the appropriate and timely analysis and monitoring of the underlying information relating to its period-end financial reporting process and preparation of consolidated financial statements including the timely and complete identification and recording of unusual and non-routine transactions.

The material weaknesses described above could result in misstatement of the Company's consolidated financial statements that would result in a material misstatement to the quarterly or annual consolidated financial statements that would not be prevented or detected.

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2. *The Company did not maintain effective controls over treasury process.* Specifically, the Company did not maintain adequate segregation of duties and implement appropriate approval requirements for non-routine transactions relating to cash management. As a result of the transition of treasury functions from our US headquarters to China, the Global Treasurer and China Treasurer roles were consolidated. Due to lack of segregation of duties, the controls did not prevent our Global Treasurer from opening a bank account in the name of the Company and transferring 150 million RMB to the account without appropriate analysis of the business rationale and adequate authorization for the opening of the account and the transfer. The Company was informed by the bank that a third party subsequently attempted to transfer 20 million RMB from the account but the bank refused. The Company conducted an internal review but was unable to conclude the

reasons for the opening of the account and the subsequent transfer and attempted transfer. The Company also reported the matter to the local authorities. The Global Treasurer was terminated. No funds were transferred from the Company's account and this control deficiency did not result in any losses to the Company in the year ended December 31, 2010.

The material weakness described above could result in potential losses to the Company due to misappropriation of assets that would not be prevented and detected.

Because of these material weaknesses described above, management has concluded that the Company did not maintain effective internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control - Integrated Framework* issued by the COSO.

The assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2010 has been audited by PricewaterhouseCoopers ZhongTian CPAs Limited Company (**PricewaterhouseCoopers**), an independent registered public accounting firm, as stated in their report which is included in Item 8 of this Form 10-K.

Remediation Initiatives Implemented by Management

The Company's management has been engaged in, and continues to engage in making necessary changes and improvements to the overall design of its control environment to address the material weaknesses in internal control over financial reporting and the ineffectiveness of the Company's disclosure controls and procedures described above.

In particular, the Company has implemented the specific remediation initiatives described below in the year 2010. These initiatives provide reasonable assurance regarding the reliability and completeness of financial information and disclosures reported in the Company's annual consolidated financial statements as of and for the year ended December 31, 2010 included in this Form 10-K.

1. To remediate the material weakness described above over *period-end financial reporting process* that was disclosed in connection with our reporting for fiscal 2009 and prior years, the Company has designed and implemented an adequate global financial close process and hired key individuals in the corporate finance and accounting function with significant technical skills and experience, deemed appropriate to their assigned responsibilities. The Company has undergone further restructuring during 2010. In the third quarter of 2010, the Company completed its transition of financial close and reporting processes to its new China headquarters to consolidate and streamline its global processes. Accordingly, the Company implemented controls to ensure independent management oversight and perform review procedures over accounts and disclosures in the Company's consolidated financial statements. However, with the changes in the organization resulting from the restructuring and the transition to a new team and processes in China, management believes there is a need to allow the team to stabilize and operate for an extended period of time to embed the new processes, and to ensure the quality and consistency of the execution of the controls. The Company will continue to assess its standardized processes to further enhance the effectiveness of financial reviews including the analysis and monitoring of financial information in a consistent and thorough manner.

2. To remediate the material weakness described above over *Treasury Process* the Company has designed and implemented controls to separate closely related functions in the cash management function and reduce the risk of misappropriation of assets. The Company also

reviewed and revised approval requirements for certain actions relating to cash management (including the number of signatures and the level of the signatory required for certain types of transactions or based on the value of the transactions) to better enhance management's monitoring of cash transactions. In addition, management implemented annual reviews of such approval requirements to ensure their continued appropriateness and effectiveness.

Management's Conclusion

Management believes there is a need to continue to enhance the effectiveness of the standardized review processes and the remediation measures described under "Remediation Initiatives Implemented by Management" above have not been operated for an adequate period of time to conclude that the material weaknesses identified in "Management's Annual Report on Internal Control over Financial Reporting" have been remediated. Management has discussed its conclusions with the Company's Audit Committee.

The Company is committed to continuing to improve its internal control processes and will continue to diligently and vigorously review its disclosure controls and procedures and its internal control over financial reporting in order to ensure compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002. However, any control system, regardless of how well designed, operated and evaluated, can provide only reasonable, not absolute, assurance that its objectives will be met. As management continues to evaluate and work to improve the Company's internal control over financial reporting, it may take additional measures as needed to further address the control deficiencies above.

Remediation of Material Weaknesses in Internal Control over Financial Reporting Reported in 2009

As of December 31, 2010, the Company believes it has effectively remediated material weaknesses in internal control over financial reporting that were included in Management's Annual Report on Internal Control over Financial Reporting in Item 9A Controls and Procedures contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009:

1. Maintaining effective controls over *the recording of reserves for losses on customer contracts* to ensure timely and accurate recording of costs relating to reserves for losses on customer contracts and that existing loss reserves are adequate.
2. Maintaining effective controls over *financial reporting related to revenue recognition* to ensure that revenue is accurately and completely recorded.

For additional information relating to the control deficiencies that resulted in the material weaknesses listed above, please see the discussion under Management's Report on Internal Control over Financial Reporting in Item 9A Controls and Procedures contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

During 2009, the Company designed and implemented remediation measures to address the material weaknesses listed above. As described in the Company's Annual Report on Form 10-K for fiscal year 2009, the remediation measures included the following:

1. Maintaining effective controls over *the recording of reserves for losses on customer contracts* to ensure correct accounting on loss contracts. The Company transitioned in the third quarter of 2008 the responsibility for calculating the loss contract reserves to its local project office in India, which facilitated enhanced coordination between the local business units, operations, sales and the finance team resulting in more timely and complete information available to Finance to analyze. During the third quarter of 2009, the Company finalized its assessment of additional implemented modules of its ERP system in the operation in India, which enhanced the overall monitoring and analysis of the various accounts and balances in India. In the first quarter of 2010, the Company further enhanced the reviewing procedures and formalized cross-function meetings which further improved information sharing.
2. Maintaining effective controls over *financial reporting related to revenue recognition* to ensure that revenue is accurately and completely recorded. The Company enhanced its contracts review process in order to ensure that appropriate members of management have reviewed and confirmed critical information necessary to assess the proper revenue recognition accounting. Specifically, the Company implemented additional review procedures which require appropriately qualified company personnel to review the contracts in detail to improve the scope and quality of the independent reviews of underlying information related to the revenue contracts.

Management's Conclusion

Management has conducted an assessment, including testing, of the effectiveness of the Company's remediated internal control processes over financial reporting described above under "Remediation of Material Weaknesses Reported in 2009" as of December 31, 2010. In making its assessment, management used the criteria in *Internal*

Control Integrated Framework issued by COSO. Management believes these remediated internal control processes described above effectively mitigated, as of December 31, 2010, the material weaknesses listed above under Remediation of Material Weaknesses Reported in 2009 .

Changes in Internal Control over Financial Reporting

As discussed above under Remediation Initiatives Implemented by Management and Remediation of Material Weaknesses in Internal Control over Financial Reporting Reported in 2009, the control processes adopted represent material changes to the Company's internal control over financial reporting during 2009 and 2010 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART III

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following replaces in its entirety the disclosure in the 2010 Form 10-K under the indicated heading, which begins on page 37 of Amendment No. 1.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information with respect to beneficial ownership of our common stock as of April 30, 2011 by (i) each person who is known to us to own beneficially more than 5% of our common stock, (ii) each current director of UTStarcom, (iii) each current executive officer, and (iv) all of our current directors and executive officers as a group. Calculations are based on 156,129,775 shares of common stock issued and outstanding as of April 30, 2011.

Name and Address of Beneficial Owner(1)	Shares Beneficially Owned(2)	Percent of Total Outstanding(2)
Entities affiliated with Softbank Corp.(3)	14,651,630	9.4%
Entities affiliated with Shah Capital Management(4)	13,431,812	8.6%
E-Town International Holding (Hong Kong) Co. Limited(5)	11,363,636	7.3%
Hong Liang Lu(6)	3,150,464	2.0%
Jack Lu(7)	75,000	*
Edmond Cheng(8)	10,700	*
Baichuan Du	0	*
Xiaoping Li	0	*
Thomas J. Toy(9)	1,023,478	*
William Wong	0	*
Linzheng Xie	0	*

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Peter Blackmore(10)	1,015,972	*
Kenneth Luk(11)	50,000	*
All current directors and executive officers as a group (8 persons)(12)	4,259,642	2.7%

* Less than 1%.

(1) Unless otherwise indicated, the address for all beneficial owners is c/o UTStarcom, Inc., 52-2 Building, BDA International Enterprise Avenue, No. 2 Jingyuan North Street, Daxing District, Beijing, P.R. China.

(2) Under the SEC's proxy rules, a person who directly or indirectly has or shares voting power or investment power with respect to a security is considered a beneficial owner of the security. Voting power is the power to

vote or direct the voting of shares, and investment power is the power to dispose of or direct the disposition of shares. The information on beneficial ownership in the table and the footnotes is based upon our records and the most recent Schedule 13D or 13G filed by each such person and information supplied to us by such person. Unless otherwise indicated, each person has sole voting power and sole investment power with respect to all shares beneficially owned, subject to community property laws where applicable. Shares subject to options which are exercisable within 60 days of April 30, 2011 are deemed to be outstanding and to be beneficially owned by the person holding such options for the purpose of computing the percentage ownership of such person, but are not deemed to be outstanding and to be beneficially owned for the purpose of computing the percentage ownership of any other person.

- (3) Information based on Schedule 13G, Amendment No. 2, filed with the SEC on March 28, 2007 by Softbank Corp., Softbank America, Inc. and Softbank Holdings, Inc. Includes 14,651,630 shares registered in the name of Softbank America Inc., a Delaware corporation. Softbank America Inc. is a wholly owned subsidiary of Softbank Holdings Inc., a Delaware corporation. Softbank Holdings Inc. is a wholly owned subsidiary of Softbank Corp., a Japanese corporation. Softbank America Inc. has sole power to vote or direct the voting of the 14,651,630 shares and sole dispositive power over the 14,651,630 shares. The business address for these entities is c/o Softbank Corp., Tokyo Shiodome Blvd., 1-9-1, Higashi-shimbashi, Minato-ku, Tokyo 105-7303 Japan.
- (4) Information based on Schedule 13D, Amendment No. 2, filed with the SEC on December 8, 2009 by Shah Capital Management and the Current Report on Form 8-K filed with the SEC on September 13, 2010 by the Company. Includes 8,004,957 shares beneficially and jointly owned by Shah Capital Management and 5,426,855 shares beneficially owned by Shah Capital Opportunity Fund LP. Shah Capital Management has the sole power to vote or direct the voting of the 8,004,957 shares and sole dispositive power over the 8,004,957 shares. The business address for Shah Capital Management and Shah Capital Opportunity Fund LP is 8601 Six Forks Road, Suite 630, Raleigh, NC 27615.
- (5) Information based on Schedule 13D, Amendment No. 1, jointly filed with the SEC on October 1, 2010 by E-Town International Holding (Hong Kong) Co., Limited, or E-Town, and Beijing E-Town International Investment and Development Co., Ltd., or BEIID. As the parent company of E-Town, BEIID has the power to direct the vote and the disposition of the shares held by E-Town. The business address of BEIID and E-Town is c/o Beijing E-Town International Investment and Development Co., Ltd. 6F, Bldg 61, BDA International Enterprise Avenue, No. 2 JingYuan North Street, BDA, Beijing, P. R. China.
- (6) Consists of 2,760,742 shares owned directly, 229,000 shares owned by The Lu Family Limited Partnership, of which Mr. Lu is a general partner, 80,775 shares registered in the name of Lu Charitable Remainder Trust, of which Mr. Lu is the trustee, 49,225 shares registered in the name of the Lu Family Trust of which Mr. Lu is a trustee and of which Mr. Lu and his spouse are beneficiaries, and 30,722 shares issuable upon exercise of options that are exercisable currently or within 60 days of April 30, 2011.
- (7) Consists of 75,000 shares owned directly by Mr. Lu.
- (8) Consists of 10,700 shares owned directly by Mr. Cheng.
- (9) Consists of 310,145 shares owned directly and 713,333 shares issuable upon exercise of options that are exercisable currently or within 60 days of April 30, 2011.
- (10) Information based on Form 4 filed with the SEC on August 5, 2010 by Mr. Blackmore.
- (11) Information based on the acceleration of the vesting of 50,000 shares of restricted stock in connection with Mr. Luk's termination of employment. Mr. Luk left his position as Chief Financial Officer on May 11, 2010.
- (12) Consists of 744,055 shares issuable upon exercise of options that are exercisable currently or within 60 days of April 30, 2011.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following documents are being filed as part of this Amendment No. 2:

Exhibit Number	Description
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certifications Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Amendment No. 2 to the Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

UTSTARCOM, INC.

Date: May 20, 2011

By: /s/ EDMOND CHENG
 Name: Edmond Cheng
 Title: *Senior Vice President and 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:

Name	Title	Date
/s/ JACK LU Jack Lu	Chief Executive Officer, President and Director (principal executive officer)	May 20, 2011
/s/ EDMOND CHENG Edmond Cheng	Senior Vice President, Chief Financial Officer (principal financial officer and principal accounting officer)	May 20, 2011
* Hong Liang Lu	Director	May 20, 2011
* Thomas J. Toy	Chairman	May 20, 2011
* William Shiu Kau Wong	Director	May 20, 2011
* Li Xiaoping	Director	May 20, 2011
* Du Baichuan	Director	May 20, 2011
* Xie Linzhen	Director	May 20, 2011

* By: /s/ EDMOND CHENG
 Attorney-in-fact