



## CTI Overview

CTI DIVERSIFIED HOLDINGS (**CDHI**) has undergone several evolutions of its business model. Currently, it is engaged in providing leading North American IT, ISP, ASP products and services for introduction and distribution into the Asian e-security, e-business and e-financial markets as well as providing consulting services for IT security. CTI Diversified Holdings, Inc. intends to design, develop and manufacture telecommunication security products for a broad range of corporate, government, military and institutional applications. Upon the completion of an agreement with the founding shareholders of Sentry in January 2002, the Company adopted the business plan of Sentry. The Company, as a development stage company, is in the start-up phase of operations, and has not yet completed development of its initial product or booked any sales of its initial product.

Sentry is a start-up company with a limited history of operations, and has not been profitable to date. Sentry has focused its efforts on developing security and detection products for corporate and public telecommunications systems since 1998. Telecommunications security and detection products encompass the hardware and software tools, policies and procedures needed to ensure that only authorized persons may access telecommunications resources. The Company's goal is to become a significant supplier of security products to corporate customers and communications service providers through the continuing development and introduction of security and telecommunications network products that are compatible with other manufacturers product offerings used in telecommunications.

The Company's primary product at present, the "Phonewall", is a telecommunications security product, or a product that restricts or blocks access to all or part of a telecommunications network. It has been designed to protect communications or telephone networks that carry information or data stored in an electronic form from the threat of unauthorized modem access and to protect communications or telephone networks which carry primarily voice traffic from the theft of unauthorized services. The Phonewall is a combination of hardware and software that is installed on telephone lines between the user of the product and a telephone service provider and that blocks access to computer networks from intruders and/or unauthorized persons attempting to enter through telephone lines and telephone networks.

Prior to January 2002 the Company was in the process of developing a range of products, including: 1) Security Policy development and review programs; 2) Security Architecture development and review programs; 3) Security Architecture Implementation services; 4) Security Administration and management services; 5) Security Outsourcing services; 6) Secure E-business consulting; 7) Incidence Response service; 8) Security Education and Training; and 9) Business Continuity/Disaster Recovery.



## History

CTI Diversified Holdings, Inc., (formerly Unique Bagel Co., Inc.) was incorporated under the laws of the State of Delaware on August 11, 1998. On January 10, 2001, the Company changed its name to CTI Diversified Holdings, Inc. The articles of incorporation of the Company authorize the issuance of fifty million (50,000,000) shares of Common Stock at a par value of \$0.0001 per share.

### **August 11, 1998**

The Company acquired nineteen percent of New York Bagel Company, Inc. and an option to purchase the remaining eighty one percent of NYBC in exchange for 5,000,000 shares of common stock in the Issuer. The 19% interest in NYBC and the 81% option were acquired from Dennis Greenfield, who was, at the time of the acquisition the President and sole shareholder of NYBC and President and majority shareholder of the Issuer.

### **November 30, 2000**

The Company sold its interests in NYBC back to Dennis Greenfield. The Company sold the 19% interest for its book value of \$5,966 and the 81% option interest was sold for \$100.

### **On January 11, 2001**

The Company abandoned its business plan of implementing the business of NYBC, which developed, produced and marketed a line of bagels and other bread products and it adopted the business plan of Cobratech. Cobratech is engaged in providing leading North American IT, ISP, and ASP products and services for introduction and distribution into the Asian e-security, e-business and e-financial markets as well as providing consulting services for IT security. The Company has positioned itself in Asian markets through the opening of offices in Hong Kong, SAR, and Tokyo, Japan.

### **February 16, 2001**

The Company acquired approximately 100% of the total issued and outstanding shares of Cobratech Industries, Inc., a British Columbia, corporation. The Agreement was approved by the unanimous consent of the Board of Directors and a majority of the shareholders of Cobratech on February 16, 2001.

### **On March 14, 2001**

The Company announced that it had completed its acquisition of IT Transit Limited. IT Transit is a professional services firm, delivering secured wireless IPsec-based VPN and infrastructure solutions, web-hosting, PKI and ASP services, with clients in both Hong Kong and Singapore.



### **Monday, June 25, 2001**

CTI Diversified Holdings, Inc. announced today that Mr. Don Farnell has been appointed President and CEO. Mr. Stephen Koltai has resigned, for personal reasons, from his position on CTI's Board of Directors and as CEO. Don Farnell was the President and CEO of Sentry Telecom Systems Inc, a privately-held telecom security products company.

### **Monday, July 30, 2001**

CTI Diversified Holdings, Inc. announced today that Manado Development Ltd., has elected to convert their \$2,006,923 demand loan to CTI into Common shares of CTI effective June 29, 2001. The first \$1,405,540, advanced by Manado between November 15, 2000 and Feb. 15, 2001, was converted into 702,770 units at \$2.00 per unit. Each unit consisted of one Common share of CTI plus one warrant, entitling the holder to acquire one additional common share of CTI for \$2.20, expiring June 29, 2003. The remaining \$601,383, advanced by Manado subsequent to Feb. 15, 2001, was converted into 601,383 units at \$1.00 per unit. Each unit consisted of one Common share of CTI plus one warrant, entitling the holder to acquire one additional Common share of CTI for \$1.50, expiring June 29, 2003.

### **November 8, 2001**

CTI Diversified Holdings, Inc. ("CTI") is announced that it entered into an agreement with the founding shareholders of Sentry Telecom Systems Inc. ("Sentry") to acquire their 89% interest in Sentry.

### **January 2002**

The Company announced significant changes to its agreement with the founding shareholders of Sentry Telecom Systems Inc. to acquire their 89% interest in Sentry. It was announced that the Company would issue 500,000 restricted shares to the founding shareholders of Sentry in exchange for their 7,160,000 shares of Sentry. The agreement provided that 150,000 restricted shares be issued initially with the balance to be issued over a three year period, subject to Sentry achieving certain objectives. The amended number of shares to be issued is a 3,080,000 share decrease from the original agreement. After the share exchange for the 89% interest in Sentry, the Company made an offer to acquire the remaining shares from existing Sentry shareholders. The Company's business plan and operations substantially became the operations of Sentry.

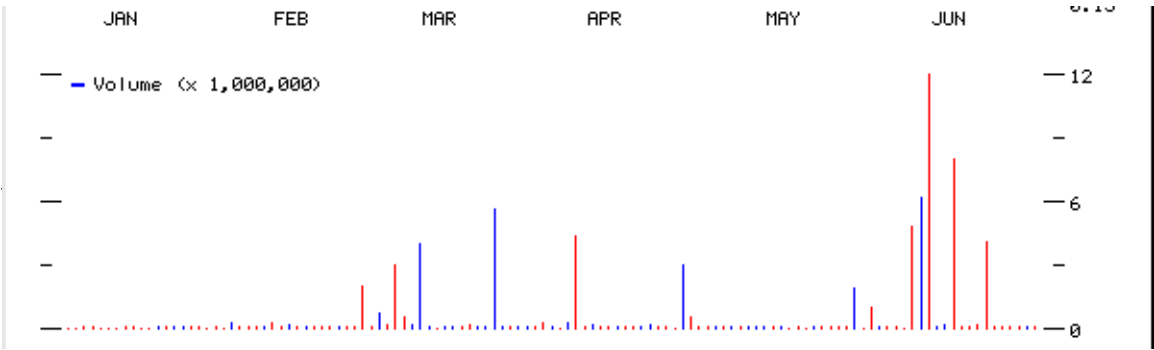


## CTI Diversified Stock Performance

CTI Diversified has experienced gradual erosion in stock price since the inception of the company in January 2001. Over this two and a half year period its stock price has decreased by almost 94 % (see graph below). Trading volume has been volatile to say the least. With highs of 12.8 million shares and recent lows of 400 shares.



However since its merger with Sentry, CTI Diversified has experienced a significant trading volume increase as the graph below depicts.



	Close	52 Week High	52 Week Low	EPS	P/E
<b>Date</b>	6/24/2002	6/22/2001	12/18/2001	Year 2001	Year 2001
<b>Value</b>	\$ 0.17	\$ 1.05	\$ 0.13	N/A	N/A

Currently, the company is trading near its 52 week low.



## Financial Performance

CTI's lack of tangible product releases combined with its operational losses are the causes of its continuing net losses from period to period.

Statement of Losses	For the 1 month ended January	For the year ended December	For the period ended October	For the year ended
December	31,2001	31, 2000	15, 2000	31,1999
Revenue	\$ -	\$ -	\$ -	\$ -
Operating expenses	220,475	2,004,331	1,287,170	96,835
Loss from operations	(212,336)	(1,999,073)	(1,279,255)	(97,211)
Net loss for the year	(212,336)	(1,999,073)	(1,279,255)	(97,211)

If CTI could establish a consistent operational focus and generate traction, it is likely that the company's performance would be recognized in the marketplace.

## Market Characteristics

From its inception, the communications industry has delivered an abundance of intelligent devices and platforms to both access information from and to connect people directly or indirectly via communications networks around the world. Historically, these devices were designed only to enable and facilitate communications and security, if considered at all, was not a primary concern. But now, recognizing the vulnerability of all forms of networks, both wireline and wireless, and the insatiable need for both rapid expansion and shared spaces allowed by technology advances. CTI Diversified believes that network driven security needs will dominate both the development environment and ultimately the telecommunications market in a way unimaginable just a few years ago.

The convergence of computer networking, telecommunications protocols, both wireless and wireline, the Internet and the emergence of eCommerce are all important and critical considerations for business today. The rate at which both mobile and connected workers, suppliers, partners and customers are being connected to the network, the increase in sharing of data, the downloading of information to wireless devices and the overall transaction of business electronically have all contributed to what we see is a growing need for new network security products. Unfortunately, these same technology advances have



dramatically increased the opportunity for unauthorized persons to open and invade critical data areas through unsecured access gates. At its worst, this security vulnerability may prevent the very adoption of new technologies. Products that insure that security does not become the "Achilles heel" in the move to converging networks must in the future accompany the on-going wave of communications enabling technologies

## Directors

### **Mark Godsy - Chairman of the Board**

An experienced entrepreneur who works in the areas of corporate development and venture capital, Mr. Godsy co-founded two Canadian bio-technology firms, Angiotech Pharmaceuticals Ltd. (NASDAQ: ANP) and ID Biomedical Corporation (NASDAQ: IDBE) and is the current Chairman of the Unity Wireless Corporation. Mr. Godsy is a graduate of the University of B.C. and received his law degree from McGill University. He is currently a member of the Law Society of British Columbia.

### **Donald Farnell - President & CEO**

An experienced executive with over 35 years of corporate finance, venture capital, investment banking and executive management experience, and a background in the technology and telecommunications arena. Mr. Farnell guided the turnaround and growth of one public company to \$1.3 billion in managed assets and to a ranking of 255 of Canada's 500 most profitable companies. Most recently, Mr. Farnell was President & CEO of Sentry Telecom Systems Inc.

### **Rene Palsenborg - Director**

Mr. Palsenborg is the President and majority Shareholder of The Sortium Group, a company that provides its clients with management consulting services, with focus on business development, project management, strategic planning, finance and capital acquisitions. Mr. Palsenborg has over 20 years of management and business experience, including a background in real estate and development portfolios.

From 1999 to early 2001, he was Executive Vice President of Synovva Ventures, a Canadian corporate finance business that specializes in assisting selected businesses in their private investment capital raising efforts. Prior to joining Synovva he was the Vice President of Charwood Pacific Properties, a major real estate development corporation.

Mr. Palsenborg has served as a director of several public companies in the past.

### **John Anderson - Director**



Mr. John Anderson has been involved in the capital markets for over 15 years. He served as the Director of Leasing for Manulife Financial in Toronto and Vancouver from 1987 - 1994. In 1994, he incorporated Axiom Consulting Corp., which specialized in small venture capital financing and mergers. Mr. Anderson was the Canadian Management Director of Meyers Capital Inc., a Hong Kong-based merchant bank in 1994 - 1995, and acted as President and Board member for two of its public companies.

Between 1995 and 1998, Mr. Anderson worked exclusively for Bema Gold Corporation and its five subsidiaries as Director of Investor Relations, and was involved in a number of public financings. Since early 1999, Mr. Anderson has successfully worked on selected capital raising and promotional assignments, including Soho Resources Inc., Intertech Minerals Inc., Brocker Technologies Inc., and JAWS Technologies Inc.

## PRODUCTS AND SERVICES

Upon the completion of the agreement with the founding shareholders of Sentry in January 2002, the CTI Diversified adopted the Business plan of Sentry.

Sentry was a private company incorporated in British Columbia, Canada. Sentry remains a start-up company with a limited history of operations, and has not been profitable to date. Sentry has focused its efforts on developing security and detection products for corporate and public telecommunications systems since 1998. Telecommunications security and detection products encompass the hardware and software tools, policies and procedures needed to ensure that only authorized persons may access telecommunications resources. Its goal is to become a significant supplier of security products to corporate customers and communications service providers through the continuing development and introduction of security and telecommunications network products that are compatible with other manufacturers product offerings used in telecommunications.

**Present Products** - CTI Diversified's initial and primary product at present, the "Phonewall", is a telecommunications security product, or a product that restricts or blocks access to all or part of a telecommunications network. It has been designed to protect communications or telephone networks that carry information or data stored in an electronic form from the threat of unauthorized modem access and to protect communications or telephone networks which carry primarily voice traffic from the theft of unauthorized services. The Phonewall is a combination of hardware and software that is installed on telephone lines between the user of the product and a telephone service provider and that blocks access to computer networks from intruders and/or unauthorized persons attempting to enter through telephone lines and telephone networks.

It monitors calls on the telephone lines and classifies their content as voice, fax or data using our own proprietary signal processing capabilities. The Phonewall can be configured to allow or disallow particular types of traffic, such as data calls via modems, over an entire



organization, or configured to define limits for access to designated telephone numbers within an organization. The Phonewall has the capability to distinguish phone calls carrying modem signals from other types of phone calls, including voice, and the ability to terminate the call if it violates security policy. Extensive reporting capabilities, including reporting on the duration of calls, the type of traffic including data, fax and voice calls, the number dialed, and the originating number are included with the product.

Although CTI has only one product available to date, it's future products do show promise.

**Future Products** - In the future, we intend to research, develop, and market a family of network security monitoring and warning systems and associated peripheral control devices for both domestic and international markets. The encompassing design is planned to be capable of integration with converging broadband wireless and wireline infrastructures, wireless computing, domestic electronic equipment, and the Internet. CTI Diversified intends to focus on advancing it's patented technologies with an emphasis on addressing open global wireline/wireless standards that enable electronic devices within personal and business networks to securely "talk" with one another. We intend to strive to develop the next generation of security gatekeepers, which will use our proprietary application algorithms and protocols to facilitate and enable diverse communication devices to access and transfer data without sacrificing security in the process.

## Sales and Marketing

**Initial Campaigns-** CTI Diversified's marketing campaign has consisted principally of generating general awareness through network security specialists and telephone system administrators. They believe that the initial success of their products will be highly dependent on the ongoing success of this campaign.

**Creating Demand-** CTI hopes to create initial demand for it's products by raising awareness of the modem threat and other certain weaknesses in telephone system security. The company's marketing personnel intend to attend a number of the major telecommunications and Internet security tradeshows and actively participate in telecommunications and computer industry conferences, all of which have attracted a significant number of security professionals, expressions of interest and leads in the past. Upon completion of the beta/testing product development phase, our initial market penetration program is planned to consist of direct sales to large enterprises that would be prospective long-term users of the product, having wide and varied operations with offices in a number of locations. Large corporations are often significantly more security conscious and employ a much wider use of differing networking products. They typically rely more heavily on the use of both old and new technologies, and typically use modem equipment for remote locations that tie directly into centralized systems or point of sale systems.



Distributor Relationships - Wide scale product introduction and ongoing marketing activities on a broader scale will be arranged through distributors under both exclusive and non-exclusive relationships, dependent on territory. CTI Diversified's overseas sales are planned to be primarily conducted through distributors, which will allow them to minimize sales, travel and integration costs, and will assist us with regulatory issues and cultural barriers.

CTI Diversified has only established one formal distribution agreement to date, covering Korea and Malaysia, and do not plan to enter into others until they have completed several beta tests.

CTI Diversified has held preliminary discussions with a number of potential distributors in North America, and several prospects for Europe, South America and Asia. At present, there is one potential distributor candidate for North America, but they cannot offer any assurances that we will be successful in formalizing these or other arrangements for distributors or that if formalized, that a sufficient level of sales will be generated from these relationships. All of CTI Diversified's contacts for potential distributors to date have been generated through its active participation in security tradeshow and conferences. They believe that they can expand our list of potential distributors as we complete our products and create live demonstrations at future shows and conferences. New prospects can be identified through our growing understanding of the universe of distributors of security products, recommendations of its end users and alliance partners, and unsolicited expressions of interest. There are also many network and telecom security-consulting firms, including the major auditing firms that recommend or evaluate security solutions for mid and large sized companies. CTI hopes that these types of firms can be a valuable tool in identifying security vulnerabilities and recommending solutions such as its Phonedwall.

Increasing Sales- CTI Diversified believes that it can obtain success and build sales by achieving the following five steps:

1. A clear demonstration in the sales process that Phonedwall can offer advanced security capabilities and detection over existing security measures built into leading telecom equipment, switches, routers and other equipment currently in use.
2. The development of strong onsite demonstration and audit programs as a core ongoing sales and marketing activity to take advantage of reactionary product acquisitions. This approach would enable network exposure to be immediately verified to customers while concurrently confirming the direct benefits of the products to the decision makers.
3. The initial and ongoing need to conduct deeper industry research into corporate segments that rely on telephone based service networks.
4. Completion of our initial and ongoing marketing and collateral materials that clearly frame the technical arguments for the products to channel partners and end users.



5. Development of a set of product selection criteria that helps our potential clients identify preferred equipment manufacturers who may want to integrate our products and enhancements directly into their end products.

## COMPETITION LEVELS

**First Level** - The company views competition for its products from a broad perspective, being that whatever alternative an enterprise has to installing our technology to enhance security for their telecommunications network is our competition. The first element of competition then, is the choice to do nothing. Enterprises have to prioritize all capital expenditures and operating expenses and security, being an expenditure that usually tends not to provide an immediate, recognizable return on investment, is often sacrificed in favor of other expenditures that provide more visible benefits. In this context then, well before there is a decision to acquire our product, there is a basic competition between expenditures on security and other, non-security related, expenditures. CTI expects that, as enterprises continue to rely more and more on computer and telecommunications networks to conduct their business and to connect with their employees, customers and suppliers in the future, a larger percentage of their budgets will be allocated to security products and services.

**Second Level**- The second level of competition is the alternative to spend the funds allocated to security solutions to protect against security risks or vulnerabilities in areas unrelated to our products. There is typically a greater demand for security expenditures, and opportunities for security improvements, within most enterprises than there are funds available. Choices must be made as to which security concerns are the most important and some desired expenditures must be deferred in favor of others. To compete in this aspect of competition, we must develop valid arguments as to why the installation of our product should be a higher priority than other security expenditure choices.

**Third Level**- The third level of competition is the alternative of using other technologies, which, although not directly competing with CTI's products, represent a reasonable alternative method of controlling the risk. Competitors' products may be cheaper than CTI's products, and/or easier to install, and/or easier to maintain, etc, and may represent an acceptable alternative. One example of this is commercial war dialing programs, which are available from numerous other companies.

**Final Level**- The last level of competition is direct competitors. There is only one direct competitor in the market with completed products at this time known to CTI Diversified. Securelogix Corporation, a private company based in Texas launched their directly competing products during 2001. The Securelogix Corporation is better financed than CTI, having raised almost \$30 million to date and they have more employees than CTI. Securelogix also has a material advantage, having been the first to market with a similar product to CTI's. Their products have more features than CTI Diversified's while being competitively priced. More direct competitors will arise in the future. There can be no assurances that the company will succeed in designing and developing features or processes that will make CTI's products more attractive to the customer than its competitors.



## Legal Issues

- 1) Legal action has been commenced by a creditor in Japan against Cobratech Industries Japan Limited, which is a wholly owned subsidiary of Cobratech Industries limited, which is a wholly owned subsidiary of Cobratech Industries Inc., which is a wholly owned subsidiary of CTI. CTI has not yet received any documentation relating to this litigation.
- 2) Unity Wireless Corp., a creditor of Cobratech Industries Inc., commenced a legal action in British Columbia in October, 2001 against Cobratech Industries Inc., John Anderson and Bill Calsbeck, to collect the sum of US\$88,889.00 plus interest and costs. In November, 2001, Unity agreed to forbear from proceeding with this action in consideration of CTI paying to Unity 10% of all funds received from financing, in excess of \$100,000 in the next six months and until the amount claimed in litigation, plus all interest thereon and costs have been paid. Unity holds as security a general security agreement against all assets and undertakings of Cobratech Industries Inc.
- 3) Rajesh Taneja, an ex contractor that did work for Cobratech Industries Inc., commenced litigation in British Columbia in December, 2001 against Cobratech Industries Inc. and CTI Diversified Holdings Inc., claiming numerous wrongful dismissal damages aggregating over \$100,000 plus costs.

## Additional Corporate Governance Notes

Notes					
Outside Directors	Recent Events	Number of Shares Outstanding	Functioning Audit Committee	Audit Firm	Stock Suspension
None	Acquisition of Sentry Telecom Systems (Jan 2002)	17,808,744	?	Moore Stephens - Ellis Foster	Yes, 11/29/2001 Symbol Change to CDHIE

53 shareholders of record as of March 5, 2002. 17mm + shares outstanding. Warrants also outstanding (1.6+mm). Company also has an active options program for management. They will likely undergo significant scrutiny with regards to their corporate history if proceeding to the next level. Accountant is Canadian Chartered Accountant – *may not* be peer review appropriate for US continuing standards. Audit committee not determinable.



## Conclusion

CTI Diversified's ailing stock has been recently rejuvenated by its acquisition of Sentry Telecom. This stock increase will only be short lived unless the company finally releases its only product. CTI's "Phonewall" system displays promise and should help CTI's stock and revenue rise above the penny level they are currently at. CTI's competitive advantage and survival is dependent on their only product being able to succeed in a highly competitive market, and the introduction of a diverse product line.

## Recommendations for Tactical Implementation Plan

*This section of the report has been removed from publication to protect the proprietary nature of the company.*