NEWPARK RESOURCES INC
Form 4/A
April 05, 2006

FORM 4

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

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
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(Print or Type Responses)

1. Name and Address of Reporting Person *
HARDEY MATTHEW W
(Last) (First) (Middle)
1027 W. 11TH AVENUE
(Street)
COVINGTON, LA 70433
(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
NEWPARK RESOURCES INC [NR]

3. Date of Earliest Transaction (Month/Day/Year)
06/08/2005

4. If Amendment, Date Original Filed(Month/Day/Year)
04/03/2006

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
VP of Finance and CFO

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security	2. Conversion or Exercise	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any	4. Transaction Code	5. Number of Derivative Securities	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)

(Instr. 3)	Price of Derivative Security		(Month/Day/Year)	(Instr. 8)		Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)					
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Employee Stock Options, (right to buy)	$ 6.27	06/08/2005		A		10,000		06/08/2006	06/08/2012	Common Stock	10,000

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
HARDEY MATTHEW W 1027 W. 11TH AVENUE COVINGTON, LA 70433			VP of Finance and CFO	

Signatures

/s/ Matthew W. Hardey	04/05/2006
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Remarks:

The option becomes exercisable in three equal annual installments on June 8, 2006, June 8, 2007 and June 8, 2008.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. "TEXT-ALIGN: left; TEXT-INDENT: 0pt; DISPLAY: block; MARGIN-LEFT: 0pt; MARGIN-RIGHT: 0pt">In May 2006, the Company issued 3,446 shares of S-8 common stock at $1.25 per share to a consultant for services provided for business development.

In May 2006, the Company issued 1,929 shares of common stock at $1.25 per share to an investor for the conversion of accrued interest.

In May 2006, the Company issued 1,632 shares of common stock at $1.25 per share to an investor for the conversion of accrued interest.

In May 2006, the Company issued 1,345 shares of common stock at $1.00 per share to an investor for the conversion of accrued interest.

In June 2006, the Company issued 500 shares of common stock at $0.90 per share for the exercise of warrants by an investor.

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In August 2006, the Company issued 415,080 shares of common stock for the penalty for late registration of shares, which were previously accrued.

During the fourth quarter of 2006, we completed a private placement, whereby we sold an aggregate of $5,482,600 worth of units to accredited investors. Each unit was sold for $25,000 and consisted of (a) a number of shares of our common stock determined by dividing the unit price by $1.60, and (b) a five-year warrant to purchase a number of shares of our common stock equal to 50% of the number of shares included within the unit, at $5.00 per share. We issued in the private placement an aggregate of 3,426,625 shares of our common stock and warrants to purchase 1,713,313 shares of our common stock. In consideration of the investment, we granted to each investor certain registration rights and anti-dilution rights. We agreed that not before 180 days after the closing of the private placement and not later than 190 days thereafter, that we will file with the SEC a registration statement to register these shares along with the shares underlying these warrants. In the event that we fail to comply with the filing deadline, there shall be a 1% penalty for each 30 day period (or pro rata portion thereof) paid to each investor in cash or additional shares. This penalty amounts to an aggregate of 34,266 shares and 17,133 warrants per 30 day period until a registration statement that includes these shares and warrants is filed or 12 months. As of December 31, 2006, we are not subject to any penalty. As placement agent for the private placement, Joseph Stevens & Co., Inc. and its designees received 548,260 shares of our common stock upon the closing of the private placement.

The Company has evaluated the Registration Rights Agreement related to the December 2006 private placement, specifically the 1% liquidated damages clause under ASC 825-20 “Financial Instruments” to determine whether the warrants issued with the private placement should be classified as a liability versus equity. According to EITF Issue No. 00-19, paragraph 16 "If a settlement alternative includes a penalty that would be avoided by a company under other settlement alternatives, the uneconomic settlement alternative should be disregarded in classifying the contract. In the case of delivery of unregistered shares, a discount from the value of the corresponding registered shares that is a reasonable estimate of the difference in fair values between registered and unregistered shares (that is, the discount reflects the fair value of the restricted shares determined using commercially reasonable means) is not considered a penalty."

The Company concluded that the 12% cap added to the liquidated damages clause, represents an economically reasonable difference between registered and unregistered shares. As a result, the Company has not classified the fair value of the warrants issued related to the private placement as a liability.

The Company completed the private placement with the following three transactions:

On October 4, 2006, the Company completed the closing of a private placement of its common stock whereby the Company sold an aggregate of $2,276,500 worth of units to accredited investors (as defined by Rule 501 under the Securities Act of 1933, as amended). The Company received proceeds of $1,841,724 after costs of $434,776. The number of share of common stock issued pursuant to the Private Placement was 1,422,813, along with warrants to purchase an additional 711,406 shares.

On October 26, 2006, the Company completed the closing of a private placement of its common stock whereby the Company sold an aggregate of $2,697,100 worth of units to accredited investors (as defined by Rule 501 under the Securities Act of 1933, as amended). The Company received proceeds of $2,344,020 after costs of $353,080. The number of share of common stock issued pursuant to the Private Placement was 1,685,688, along with warrants to purchase an additional 842,844 shares.

On December 6, 2006, the Company completed the closing of a private placement of its common stock whereby the Company sold an aggregate of $509,000 worth of units to accredited investors (as defined by Rule 501 under the Securities Act of 1933, as amended). The Company received proceeds of $427,805 after costs of $81,195. The number of share of common stock issued pursuant to the Private Placement was 318,125, along with warrants to purchase an additional 159,063 shares.

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In January 2007, the Company issued 548,260 shares of common stock as commission for the Company's equity financing completed during the year ended December 31, 2006. These shares were shown as common stock subscribed on the Company's balance sheet at December 31, 2006.

In January 2007, the Company issued 29,804 shares of common stock at a price of $1.50 per share to an employee in satisfaction of a liability previously accrued.

In January 2007, the Company issued 40,000 shares of common stock at a price of $1.55 per share to a consultant for services to be performed through June 2007.

In January 2007, the Company issued 10,000 shares of common stock at a price of $1.50 per share to a consultant for services to be performed through March 2007.

In February 2008, pursuant to an agreement dated, November 5, 2007, the Company agreed to issue 30,000 shares of common stock to a consultant for services to be provided over the next year.

In February 2008, pursuant to an agreement dated, November 20, 2007, the Company agreed to issue 100,000 shares of common stock to a consultant for services provided.

In March 2008, the Company issued 39,500 shares of common stock to a note holder for accrued interest in the amount of $19,276.

In July 2008, the Company issued 28,220 shares of common stock to a note holder for accrued interest in the amount of $19,726 through June 30, 2008.

In July 2008, the Company issued 2,822 shares of common stock to a note holder for accrued interest in the amount of $1,972 through June 30, 2008.

In July 2008, the Company issued 30,000 shares of common stock at a price of $1.10 per share to a consultant for services to be performed through November 2008.

In July 2008, the Company issued 100,000 shares of common stock at a price of $1.20 per share to a consultant for services.

In July 2008, the Company issued an aggregate of 30,000 shares of common stock at $0.375 per share for the exercise of warrants by five investors.

In August 2008, the Company issued an aggregate of 222,847 shares of common stock to note holders for prepayment of interest for the period ended September 30, 2008 in the amount of $73,611.

In August 2008, the Company issued an aggregate of 378,422 shares of common stock to note holders for prepayment of interest for the last quarter of the term of the notes in the amount of $125,000.

In August 2008, the Company issued 126 shares of common stock to investors for rounding associated with the 1-for-10 reverse stock split of its common stock on July 10, 2008.

In January 2009, per the term of his employment agreement, the Company issued 833,334 shares of common stock with a fair value of $250,000 to Michael K. Wilhelm, the Company's President and Chief Executive Officer. These shares were issued as a target incentive bonus for a capital raise in August 2008 and were not issued as of December 31, 2008.

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In June 2009, the Company issued 66,000 shares of common stock at a price of $0.19 per share to a consultant for services.

In July 2009, the Company issued 67,332 shares of common stock at a price of $0.19 per share to a consultant for services.

In August 2009, the Company issued 66,668 shares of common stock at a price of $0.19 per share to a consultant for services.

In September 2009, the Company issued 44,444 shares of common stock at a price of $0.36 per share to a consultant for services.

In October 2009, the Company issued 44,444 shares of common stock at a price of $0.36 per share to a consultant for services.

In November 2009, the Company issued 44,444 shares of common stock at a price of $0.23 per share to a consultant for services.

In December 2009, the Company issued 200,000 shares of common stock at a price of $0.35 per share to a consultant for services.

In December 2009, per the term of a consulting contract, the Company agreed to issue 44,444 shares of common stock to a consultant. These shares were not issued as of December 31, 2009 and the fair value of these shares of $10,222 has been recorded as common stock subscribed at December 31, 2009.

Shares and warrants issued due to late filing of registration statement

In October 2004, the Company completed a private placement sale of shares of our common stock and warrants to purchase additional shares of common stock. The Company issued in the private placement an aggregate of 1,960,000 shares of common stock and warrants to purchase 980,000 shares of common stock. The Company agreed to register these shares along with the shares underlying these warrants within ninety days from the closing date of the transaction, or it would incur a penalty equivalent to an additional 2% of the shares and warrants to be registered for every 30 days that we failed to complete this registration. This penalty amounts to an aggregate of 46,120 shares and 18,160 warrants per 30 day period until such a time as this registration statement is made effective. The Company was unable to register the securities as required.

The Company attempted to register the shares and warrants by filing a registration statement with the Securities and Exchange Commission on November 24, 2004, and amended this registration statement with pre-effective amendments no. 1, 2, 3 and 4 on July 20, 2005, November 16, 2005, February 22, 2006 and April 7, 2006, respectively. On July 10, 2006 the Company, pursuant to Rule 477 of Regulation C of the Securities Act of 1933, as amended, applied for an order granting the immediate withdrawal of its Registration Statement on Form SB-2.

In August 2006, the Company reached an agreement with the investors in the private placement of October 2004 which limits the number of warrants and shares which we are obligated to issue pursuant to the penalty calculation to an aggregate of 18% of the number of original number of shares and warrants issued in the October 2004 private placement. This agreement limits the number of shares and warrants issuable pursuant to the penalty calculation to an aggregate of 415,080 shares and warrants to purchase an additional 163,440 shares, respectively. This resulted in a decrease in the number of share issuable 247,511 (with a fair value of $816,785) and a decrease in the number of warrant shares of 97,459 (with a fair value of $177,789). This resulted in a net realized gain of $994,574.

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In August 2006, the Company issued 415,080 shares and warrants to purchase 163,440 shares and relieved accrued liabilities in the aggregate amount of $1,053,904.

For the twelve months ended December 31, 2006 the Company marked to market the value of the shares and warrants issuable pursuant to the penalty calculation for an aggregate gain in the amount of approximately $445,673 and $123,505, respectively.

NOTE 7- STOCK OPTIONS AND WARRANTS

Employee Stock Options

The Company has adopted the 2003 Stock Option, Deferred Stock and Restricted Stock Plan (the “Plan”) which authorizes the Board of Directors in accordance with the terms of the Plan, among other things, to grant incentive stock options as defined by Section 422(b) of the Internal Revenue Code, nonstatutory stock options and awards of restricted stock and deferred stock and to sell shares of common stock of the Company pursuant to the exercise of such stock options. As of December 31, 2009, the Company has issued 357,651 shares of common stock, 533,332 shares of bonus stock and 2,806,082 common stock purchase options under the Plan. As of December 31, 2009, there were 2,302,936 shares of common stock reserved for issuance under the Plan.

On June 28, 2006, the company’s stockholders voted to approve an amendment to its 2003 Stock Option, Deferred Stock and Restricted Stock Plan to increase the number of shares of common stock reserved and available for issuance under the Plan from 360,000 to 2,000,000. On June 25, 2008 the number of shares reserved and available for issuance was increased to 6,000,000.

Through December 31, 2002, GPN had granted pre-merger stock options to certain employees and consultants which are exercisable over various periods through March 2010. These stock options are currently held by the company outside of this Plan.

In September 2005, the Company issued options to purchase 15,000 shares of common stock with an exercise price of $4.40 per share to its Chief Executive Officer. The options expire after five years.

In August 2005, the Company issued options to purchase 10,303 shares of common stock with an exercise price of $3.30 per share to its Chief Executive Officer. The options expire after five years.

In September 2005, the Company issued options to purchase 100 shares of common stock with an exercise price of $3.10 per share to an employee. The options expire after five years.

In July 2006, the Company issued options to purchase 189,697 shares of common stock with an exercise price of $2.31 per share to its Chief Executive Officer. The options vest 50% after ninety days of continued employment and the balance in equal monthly installments for 12 months thereafter.

In September 2006, the Company issued options to purchase 350,000 shares of common stock with an exercise price of $2.20 per share to its Chief Executive Officer. The options vest 50% after thirty days of continued employment with the balance in equal monthly installments for one year thereafter.

In October 2006, the Company issued options to purchase 20,000 shares of common stock with an exercise price of $2.00 to an employee.

In January 2007, the Company issued options to purchase 10,000 shares of common stock with an exercise price of $1.275 per share to an employee. The options vest 1,250 every quarter for the next two years. The amount will be charged to operations as the options vest.

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On April 24, 2007, the Board of Directors of the Company appointed a new director, Robert J. Hariri, M.D., Ph.D., to the company's Board of Directors to fill a vacant directorship. For his service as a member of the company’s Board of Directors, the company granted to Dr. Hariri under the Company’s 2003 Stock Option, Deferred Stock and Restricted Stock Plan, a non-qualified stock option to purchase 100,000 shares of common stock at an exercise price per share equal to $1.66 to vest within 30 days.

On May 14, 2007, the Board of Directors of the Company appointed a new director, Lance K. Gordon, Ph.D., to the company's Board of Directors to fill a vacant directorship. Subject to the Board’s approval, for his service as a member of the company’s Board of Directors, the company granted to Dr. Gordon under the Company’s 2003 Stock Option, Deferred Stock and Restricted Stock Plan, a non-qualified stock option to purchase 100,000 shares of common stock at $1.66 to vest within 30 days.

In July 2007, the Company issued options to purchase 400,000 shares of common stock with an exercise price of $1.66 per share to three officers. The Company charged to operations the fair value of $661,949 during the year ended December 31, 2007.

In July 2007, the Company issued options to purchase 206,000 shares of common stock with an exercise price of $1.95 per share to various employees. The Company charged to operations the fair value of $334,183 during the year ended December 31, 2007.

In July 2007, the Company issued options to purchase 325,000 shares of common stock with an exercise price of $1.66 per share to the directors of the company. The options vested 30 days after issuance. The Company charged to operations the amount of $537,834, the value of the options, during the year ended December 31, 2007

In July 2007, the Company issued options to purchase 59,000 shares of common stock with exercise prices ranging from $1.66 to $1.95 to consultants. The options vested 30 days after issuance. The Company charged to operations the amount of $75,167, the value of the options, during the year ended December 31, 2007.

In July 2007, the Company issued options to purchase 10,000 shares of common stock with an exercise price of $1.95 to a consultant. These options vest 1,200 per quarter for the next year. The Company charged to operations the amount of $5,828, the value of the vested options during the year ended December 31, 2007.

On November 1, 2007, the Board of Directors of the Company appointed a new director, Jerome B. Zeldis, M.D., Ph.D., to the company's Board of Directors to fill a vacant directorship. Subject to the Board’s approval, for his service as a member of the company’s Board of Directors, the company granted to Dr. Zeldis under the Company’s 2003 Stock Option, Deferred Stock and Restricted Stock Plan, a non-qualified stock option to purchase 100,000 shares of common stock. On March 31, 2008, the Company granted 25,000 of these options with an exercise price of $0.66. The options vested 30 days after issuance. The Company charged to operations the amount of $19,625, the value of the options, during the year ended December 31, 2008.   On November 26, 2008, the Company granted the remaining 75,000 stock options with an exercise price of $0.15. The options vested 30 days after issuance. The Company charged to operations the amount of $26,142, the value of the options, during the year ended December 31, 2008.

In December 2007, the Company agreed to issue options to purchase 11,747 shares of common stock to members of its advisory boards. The company charged to operations $6,875, the value of the options during the year ended

December 31, 2007. In March 2008, these options were issued with an exercise price of $2.50.

In March 2008, the Company issued options to purchase 3,000 shares of common stock with an exercise price of $0.78 per share to two employees, options to purchase 50% or 1,500 shares vest in 30 days and options to purchase the remaining 50% or 1,500 shares vest over twelve months. The amount will be charged to operations as the options vest. The Company charged to operations the fair value of $1,708 during the year ended December 31, 2008.

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On November 26, 2008, the Company granted 75,000 stock options with an exercise price of $0.15 to a Director. The options vested 30 days after issuance. The Company charged to operations the amount of $26,142, the value of the options, during the year ended December 31, 2008.

In August 2009, the Company issued options to purchase an aggregate of 910,000 shares of common stock to its officers and directors. Options vest in twelve month in equal quarterly installments, 25% each quarter beginning September 30, 2009. The Company valued these options at $227,500. This amount will be charged to operations as the options vest.

In August 2009, the Company issued options to purchase an aggregate of 60,000 shares of common stock to its employees. Options vest in twelve month in equal quarterly installments, 25% each quarter beginning September 30, 2009. The Company valued these options at $15,000. This amount will be charged to operations as the options vest.

In August 2009, the Company issued options to purchase an aggregate of 35,000 shares of common stock to three consultants. Options vest in twelve month in equal quarterly installments, 25% each quarter beginning September 30, 2009. The Company valued these options at $8,750. This amount will be charged to operations as the options vest.

In August 2009, the Company issued options to purchase an aggregate 16,235 shares of common stock to members of its advisory boards for services performed in 2008. Options vest 30-days after issue. The Company valued these options at $4,045 and was charged to operations at September 30, 2009.

During the year ended December 31, 2009, options to purchase a total of 519,110 shares of common stock were vested, comprised of 455,000 options held by officers and directors, 30,375 held by employees and 33,735 held by consultants. The Company charged to operations the amount of $108,977 for the value of the options during the year ended December 31, 2009.

The following table summarizes the changes in options outstanding and the related prices for the shares of the company's common stock issued to employees of the company under a non-qualified employee stock option plan December 31, 2009. The effect of the 1-for-10 reverse-split has been presented in the accompanying tables and related disclosures.

Options Outstanding			Options Exercisable		
Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Remaining Contractual Life (years)
$ 0.10-0.49	1,157,500	9.53	$ 0.10-0.49	655,000	9.44
0.50-1.00	41,735	6.04	0.50-1.00	41,735	6.04
1.01-2.00	1,030,000	7.08	1.01-2.00	1,030,000	7.08
2.01-2.99	551,444	1.63	2.01-2.99	551,444	1.63
3.00-5.00	25,403	0.56	3.00-5.00	25,403	0.56
250.00	6,321	0.25	250.00	6,321	0.25
	2,812,403	6.93		2,309,903	6.34

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Options not vested are not exercisable. Transactions involving stock options issued are summarized as follows:

	Number of Shares		Weighted Average Price Per Share
Outstanding at December 31, 2003	6,321	$	250.00
Granted	--		--
Exercised	--		--
Expired	--		--
Outstanding at December 31, 2004	6,321	$	250.00
Granted	25,403		3.95
Exercised	--		--
Expired	--		--
Outstanding at December 31, 2005	31,724	$	52.98
Granted	559,697		2.23
Exercised	--		--
Expired	--		--
Outstanding at December 31, 2006	591,421	$	4.95
Granted	1,010,000		1.70
Exercised	-		-
Expired	-		-
Outstanding at December 31, 2007	1,601,421	$	2.92
Granted	189,747		0.37
Exercised	--		--
Expired	--		--
Outstanding at December 31, 2008	1,791,168		2.65
Granted	1,021,235		0.25
Exercised	--		--
Expired	--		--
Outstanding at December 31, 2009	2,812,403		1.78

Aggregate intrinsic value of options outstanding and exercisable at December 31, 2009 was $0. Aggregate intrinsic value represents the difference between the Company's closing stock price on the last trading day of the fiscal period, which was $0.18 as of December 31, 2009, and the exercise price multiplied by the number of options outstanding. As of December 31, 2009, total unrecognized stock-based compensation expense related to stock options was $146,563. The total fair value of options vested during the year ended December 31, 2009 was $108,997.

Warrants

At December 31, 2002, the Company had outstanding warrants to purchase 2,694 shares of common stock at $8.35 per share.

During the year ended December 31, 2003, the Company issued warrants to purchase 16,957 shares of common stock at prices ranging from $1.25 to $10.00 per share to eight service providers. The Company valued the warrants using the Black-Scholes calculation model, and the warrants were deemed to have a combined value of $85,860. This amount was charged to expense on the Company's financial statements for the twelve months ending December 31, 2003.

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In October 2003, pursuant to the Amended Note agreements, the Company issued the Amended Note Warrants to purchase 24,500 shares of its common stock at a price of $10.00 per share. The Company valued the Amended Note Warrants using the Black-Scholes calculation model, and the warrants were deemed to have a combined value of $189,937. This amount was recorded as a discount to the Amended Notes and an addition to paid-in capital, and was charged to expense over the term of the notes, or 180 days. During the twelve months ended December 31, 2003, the Company recognized $84,169 of expense in relation to these warrants. During the twelve months ended December 31, 2004, the remaining $105,768 was charged to operations.

In October, November, and December 2003, pursuant to the note agreements, the Company issued warrants to purchase 39,100 shares of its common stock at a price of $10.00 per share.

As an additional incentive to investors in secured convertible promissory notes, the Company provided five-year warrants to purchase that number of shares of common stock equal to one-half the initial principal amount of the notes. The exercise price of the warrants is equal to 60% of the price per share paid by investors in a future equity financing. The warrants are not considered granted until the completion of the reorganization financing. In accordance with ASC 470-20 “Debt with conversion and other options”, because the reorganization financing had not occurred at December 31, 2003, the Company ascribed no value to the warrants at December 31, 2003. At the time of the first closing of the private placement in October 2004, warrants to purchase a total of 44,449 shares of common stock at $0.75 per share were issued. The value of these warrants was computed utilizing the Black-Scholes valuation model, and the total value of these warrants, or $112,562 was charged to operations during the twelve months ended December 31, 2004.

The Company has outstanding warrants to purchase 25,000 shares of common stock at $3.00 per share which were issued in 2002 by its predecessor company GPN Network.

In April through June 2004, the Company issued warrants to purchase 3,250 shares at price ranging from $2.50 to $20.00 to consultants for services performed. The Company valued these warrants using the Black-Scholes valuation model, and charged the amount of $8,318 to operations during the twelve months ended December 31, 2004.

In May 2004, the Company issued a warrant to its President and a warrant to a Director, each warrant to purchase 50,000 shares of common stock at a price of $2.50 per share. The warrants were issued as performance bonuses. The Company valued these warrants using the Black-Scholes model, and charged the amount of $134,604 for each warrant, or a total of $269,208, to operations during the twelve months ended December 31, 2004.

In October 2004, the Company issued a warrant to its President to purchase 44,898 shares at a price of $1.25 per share as a performance bonus for achieving certain objectives. The Company valued this warrant using the Black-Scholes valuation model, and charged the amount of $112,697 to operations during the twelve months ended December 31, 2004.

In November and December 2004, the Company issued a warrant to purchase 5,000 shares of its common stock at a price of $1.25 per share and a warrant to purchase 1,000 shares of its common stock at a price of $0.75 per share to two members of its advisory boards. The Company valued these warrants using the Black-Scholes valuation model, and charged the aggregate amount of $16,348 to operations during the twelve months ended December 31, 2004.

In October 2004, the Company issued warrants to purchase 908,000 shares of its common stock at a price of $5.00 per share to the investors in its private placement of equity securities. The Company allocated $607,922 of the total proceeds of $1,971,845 to the warrants, and charged this amount to additional paid-in capital during the twelve months ended December 31, 2004.

In October 2004, the Company issued warrants to purchase an aggregate of 72,000 shares of its common stock at a price of $5.00 per share to the an officer and a director for converting a total of $180,000 of amounts owed to these individuals for accrued salary and accrued consulting fees. The Company allocated $56,067 of the total proceeds of $180,000 to the warrants, and charged this amount to additional paid-in capital during the twelve months ended December 31, 2004.

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In October 2004, the Company issued warrants to purchase 334,708 shares of its common stock at a price of $5.00 per share to the convertible note holders who invested its private placement of equity securities via conversion of their notes. The Company allocated $191,111 of the total amount converted of $615,328 to the warrants, and charged this amount to additional paid-in capital during the twelve months ended December 31, 2004.

In October 2004, the Company issued warrants to purchase 62,887 shares of its common stock at a price of $5.00 per share to the vendors who invested in its private placement of equity securities via conversion of amounts owed to them by the Company. The Company allocated $48,579 of the total amount converted of $157,219 to the warrants, and charged this amount to additional paid-in capital during the twelve months ended December 31, 2004.

In April through June 2004, the Company issued warrants to purchase 7,750 shares of its common stock at prices ranging from $2.50 to $20.00 per share to certain investors as additional incentive under notes payable agreements. The Company valued these warrants using the Black-Scholes model, and charged the amount of $17,915 to additional paid-in capital during the twelve months ended December 31, 2004.

In July and August 2004, the Company issued warrants to purchase 74,428 shares of its common stock at prices ranging from $0.50 to $20.00 per share to certain investors as additional incentive under notes payable agreements. The Company valued these warrants using the Black-Scholes model, and charged the amount of $72,252 to additional paid-in capital during the twelve months ended December 31, 2004.

During the three months ended March 31, 2005, the Company issued warrants to purchase 26,803 shares of common stock at prices ranging from $1.25 to $10.00 to consultants for services performed. The Company valued these warrants using the Black-Scholes valuation model, and charged the amount of $137,049 to operations during the twelve months ended December 31, 2005.

During the three months ended June 30, 2005, the Company issued warrants to purchase 36,681 shares of common stock at prices ranging from $0.38 to $10.00 per share to consultants and advisory board members. The Company also cancelled warrants to purchase 12,353 shares of common stock at a price of $20.00 per share. The Company valued these issuance and cancellations using the Black-Scholes valuation model, and charged the amount of $103,772 to operations during the twelve months ended December 31, 2005.

Also during the three months ended June 30, 2005, warrants to purchase 8,000 shares of common stock at a price of $0.50 per share were exercised.

During the three months ended September 30, 2005, the Company issued warrants to purchase 7,725 shares of common stock at prices ranging from $1.25 to $10.00 per share to consultants and advisory board members. The Company valued these warrants using the Black-Scholes valuation model, and charged the amount of $20,491 to operations during the twelve months ended December 31, 2005.

In October and December 2005, the Company issued warrants to purchase 6,247 shares of common stock at prices ranging from $1.25 to $10.00 to consultants and advisory board members for services provided. The Company valued these warrants using the Black-Scholes valuation model, and charged the amount of $18,399 to operations during the twelve months ended December 31, 2005.

During the three months ended March 31, 2006, the Company issued warrants to purchase 6,150 shares of common stock at prices ranging from $1.25 to $10.00 to consultants for services performed. The Company valued these warrants using the Black-Scholes valuation model, and charged the amount of $8,399 to operations during the three months ended March 31, 2006.

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During the three months ended June 30, 2006, the Company issued warrants to purchase 8,465 shares of common stock at prices ranging from $2.00 to $10.00 to consultants for services performed. The Company valued these warrants using the Black-Scholes valuation model, and charged the amount of $8,819 to operations during the three months ended June 30, 2006.

Also during the three months ended June 30, 2006, an investor exercised a warrant to purchase 500 shares of the Company's common stock at a price of $0.90 per share.

During the three months ended September 30, 2006, the Company issued warrants to purchase 4,600 shares of common stock at prices ranging from $2.00 to $10.00 to consultants for services performed. The Company valued these warrants using the Black-Scholes valuation model, and charged the amount of $3,495 to operations during the three months ended September 30, 2006.

During the three months ended September 30, 2006, the Company issued warrants to purchase 30,000 shares of common stock at $2.50 to our Chief Executive Officer, Michael Wilhelm. The Company valued these warrants using the Black-Scholes valuation model, and charged the amount of $41,278 to operations during the three months ended September 30, 2006.

Also, during the three months ended September 30, 2006, the Company issued warrants to purchase 6,250 shares of common stock at $1.58 to our Chief Financial Officer, John Fermanis per the terms of his employment agreement. The Company valued these warrants using the Black-Scholes valuation model, and charged the amount of $9,596 to operations during the three months ended September 30, 2006.

During the three months ended September 30, 2006, the Company issued warrants to purchase an additional 163,440 shares of common stock at a price of $5.00 per share in satisfaction of the penalty due to investors for the late registration of shares. The Company had accrued the value of these warrants using the Black-Scholes valuation model, and relieved the accrued liability of $258,986.

In October 2006, the Company issued warrants to purchase 711,406 shares of its common stock at a price of $5.00 per share to the investors in its first closing of private placement of equity securities. The Company allocated $804,003 of the total proceeds of $1,057,640 to the warrants, and charged this amount to additional paid-in capital during the twelve months ended December 31, 2006.

In October 2006, the Company issued warrants to purchase 842,844 shares of its common stock at a price of $5.00 per share to the investors in its second closing of private placement of equity securities. The Company allocated $759,384 of the total proceeds of $2,344,020 to the warrants, and charged this amount to additional paid-in capital during the twelve months ended December 31, 2006.

In October 2006, the Company issued warrants to purchase 159,063 shares of its common stock at a price of $5.00 per share to the investors in its final closing of private placement of equity securities. The Company allocated $162,952 of the total proceeds of $427,805 to the warrants, and charged this amount to additional paid-in capital during the twelve months ended December 31, 2006.

During the three months ended December 31, 2006, the Company issued warrants to purchase 4,350 shares of common stock at prices ranging from $2.00 to $10.00 to consultants for services performed. The Company valued these warrants using the Black-Scholes valuation model, and charged the amount of $1,974 to operations during the three months ended December 31, 2006.

In April 2007, the Company issued warrants to purchase 500,000 shares of common stock to a consultant. The warrants vest 75,000 immediately and 17,708 every month for the next two years. The Company charged to operations the amount of $166,997, representing the value of the warrants that vested during the year ended December 31, 2007. Pursuant to an agreement dated June 6, 2008, the Company cancelled 336,458 of these common stock purchase warrants that were previously outstanding. The Company credited to operations the amount of $38,599, representing the value of the warrants that vested during period ending December 31, 2008.

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In July 2008, five accredited investors exercised warrants to purchase an aggregate of 30,000 shares of the Company's common stock at a price of $0.375 per share.

In January 2008, the Company issued warrants to purchase 750,000 shares of common stock pursuant to a financing agreement. These warrants were valued using the guidance of ASC 470-20 "Debt with conversion and other options" , resulting in a value of $226,754. In August 2008, the Company and YA Global agreed to amend the warrants to adjust the exercise price to $2.00 and to reduce the shares to 750,000 pursuant to the terms of the warrant as a result of the Company's 1 for 10 reverse stock split, thereby increasing the value of the warrants by $60,092. The value of these warrants was taken as a discount to the convertible note, and will be amortized over the three year life of the note. As of December 31, 2009, the remaining discount to the convertible notes payable is $100,450.

In August 2008, the Company and YA Global agreed to issue to YA Global warrants to purchase an additional 750,000 shares of Common Stock on or before December 31, 2012 at an exercise price of $2.00, subject to adjustment. Holders of the warrants are limited in their right to exercise the warrants if, upon giving effect to such exercise, it would cause the aggregate number of shares of common stock beneficially owned by the holder and its affiliates to exceed 9.99% of the outstanding shares of the common stock following such exercise, except within 60 days of the expiration date. These warrants provide a right of cashless exercise if, at the time of exercise, there is no effective registration statement registering the resale of the shares underlying the warrants. These warrants were valued using the guidance of ASC 470-20 "Debt with conversion and other options", resulting in a value of $286,846. The value of these warrants was taken as a discount to the convertible note, and will be amortized over the three year life of the note. As of December 31, 2009, the remaining discount to the convertible notes payable is $118,695.

In August 2008, the Company issued warrants to purchase 1,075,000 shares of common stock pursuant to a financing agreement. The warrants have an exercise price, subject to adjustments, of $2.00 per share and are exercisable at any time on or after February 8, 2009 and prior to February 8, 2014. The warrants provide a right of cashless exercise if, at the time of exercise, there is no effective registration statement registering the resale of the shares underlying the warrants. To the extent not previously exercised, the warrants will automatically be exercised via cashless exercise on February 8, 2014. Holders of the warrants are subject to limitations on their right to exercise the warrants, if after giving effect to the exercise, a holder and its affiliates would be deemed to beneficially own more than 4.99% of the Company's then outstanding common stock. These warrants were valued using the guidance of ASC 470-20 "Debt with conversion and other options",, resulting in a value of $427,658. The value of these warrants was taken as a discount to the convertible note, and will be amortized over the five year life of the note. As of December 31, 2009, the remaining discount to the convertible notes payable is $306,488.

In August 2008, the Company issued warrants to purchase 25,000 shares of common stock pursuant to a financing agreement. The warrants have an exercise price, subject to adjustments, of $2.00 per share and are exercisable at any time on or after February 8, 2009 and prior to February 8, 2014. The warrants provide a right of cashless exercise if, at the time of exercise, there is no effective registration statement registering the resale of the shares underlying the warrants. To the extent not previously exercised, the warrants will automatically be exercised via cashless exercise on February 8, 2014. Holders of the warrants are subject to limitations on their right to exercise the warrants, if after giving effect to the exercise, a holder and its affiliates would be deemed to beneficially own more than 4.99% of the Company's then outstanding common stock. These warrants were valued using the guidance of ASC 470-20 "Debt with conversion and other options", resulting in a value of $9,946. The value of these warrants was taken as a discount to the convertible note, and will be amortized over the five year life of the note. As of December 31, 2009, the remaining discount to the convertible notes payable is $7,128.

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In August 2008, the Company issued warrants to purchase 1,400,000 shares of common stock pursuant to a financing agreement. The warrants have an exercise price, subject to adjustments, of $2.00 per share and are exercisable at any time on or after February 8, 2009 and prior to February 8, 2014. The warrants provide a right of cashless exercise if, at the time of exercise, there is no effective registration statement registering the resale of the shares underlying the warrants. To the extent not previously exercised, the warrants will automatically be exercised via cashless exercise on February 8, 2014. Holders of the warrants are subject to limitations on their right to exercise the warrants, if after giving effect to the exercise, a holder and its affiliates would be deemed to beneficially own more than 4.99% of the Company's then outstanding common stock. These warrants were valued using the guidance of ASC 470-20 "Debt with conversion and other options",, resulting in a value of $556,949. The value of these warrants was taken as a discount to the convertible note, and will be amortized over the five year life of the note. As of December 31, 2009, the remaining discount to the convertible notes payable is $399,147.

The following table summarizes the changes in warrants outstanding and the related prices for the shares of the company's common stock issued to non-employees of the company as of December 31, 2009. These warrants were granted in lieu of cash for compensation for services performed of financing expenses and in connection with placement of convertible debentures. The effect of the 1-for-10 reverse-split has been presented in the accompanying tables and related disclosures.

	Warrants Outstanding			Warrants Exercisable	
Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Remaining Contractual Life (years)
$ 0.50-1.00	-	-	$ 0.50-1.00	-	-
1.25-2.20	4,101,875	3.65	1.25-2.20	4,101,875	3.65
2.30-5.60	1,825,560	1.93	2.30-5.60	1,825,560	1.93
	5,927,435	3.12		5,927,435	3.12

Transactions involving warrants are summarized as follows:

	Number of Shares Underlying Warrants	Weighted Average Exercise Price Per Share
Outstanding at December 31, 2003	83,251	$ 8.23
Granted	1,683,120	4.68
Exercised	(660,078)	5.00
Cancelled or expired	--	--
Outstanding at December 31, 2004	1,106,293	$ 4.75
Granted	75,747	4.36
Exercised	(8,000)	0.50
Canceled or expired	(12,353)	20.00

Outstanding at December 31, 2005	1,161,687	$	4.59
Granted	1,936,567		3.21
Exercised	(500)		0.90
Cancelled or expired	(32,600)		10.00
Outstanding at December 31, 2006	3,065,154	$	3.66
Granted	500,000		2.83
Exercised	-		-
Cancelled or expired	(49,090)		3.76
Outstanding at December 31, 2007	3,516,064	$	3.54
Granted	4,000,000		2.00
Exercised	(30,000)		0.38
Cancelled or expired	(465,090)		3.79
Outstanding at December 31, 2008	7,020,974	$	2.66
Granted	-		-
Exercised	-		-
Cancelled or expired	(1,093,540)		4.56
Outstanding at December 31, 2009	5,927,435	$	2.31

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The fair value of each option and warrant grant is estimated on the date of grant using the Black-Scholes option-pricing model. The Company uses historical data to estimate expected volatility, the period of time that option grants are expected to be outstanding, as well as employee termination experience. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for the estimated life of the option. The following assumptions were used to estimate the fair value of options and warrants granted during the years ended December 31, 2009 and 2008 using the Black-Scholes option-pricing model:

	2009	2008
Risk-free interest rate at grant date	1.65%	2.50-4.25%
Expected stock price volatility	315.34% to 349.02%	82.17% to 169.93%
Expected dividend payout	-	-
Expected option life-years	3 to 10	3 to 5

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Office Leases

As of March 17, 2009, the Company’s corporate headquarters are located at 8777 E. Via De Ventura, Suite 280, Scottsdale, Arizona 85258, where it has leased approximately 1,943 square feet of office space through March 31, 2013. Rent expense for the first two months of occupancy was $0 per month; months 3 to 12 will be $3,400.25 plus tax per month and will increase to $3,665.79 plus tax per month in months 13 to 24.

Rent expense amounted to $47,580 for the year ended December 31, 2009, $86,166 for the year ended December 31, 2008 and $304,085 for the period from October 30, 2002 (inception) through December 31, 2009.

Future minimum payments under non-cancelable leases with terms in excess of one year as of December 31, 2009 were as follows:

2010	$ 43,458
2011	43,989
2012	44,689
2013	11,672
Total	$ 143,808

Employment and Consulting Agreements

The Company has employment agreements with the President/Chief Executive Officer, Chief Financial Officer and Chief Scientific Officer. In addition to salary and benefit provisions, the agreements include non-disclosure and confidentiality provisions for the protection of the Company's proprietary information. The employment agreements include financial commitments related to severance and change of control provisions.

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President and Chief Executive Officer:

On August 10, 2005, the Company entered into an employment agreement with its President and Chief Executive Officer, Michael K. Wilhelm. The employment agreement calls for a salary at the rate of $275,000 per annum. The salary will be subject to adjustment of at least 10% per year at the end of each year. The registrant also agreed to defend and indemnify, to the fullest extent permitted by the registrant's certificate of incorporation and bylaws and the Delaware General Corporation Law, Mr. Wilhelm and hold him harmless against any liability that he incurs within the scope of his employment under the agreement. The agreement also provides for the following various bonus incentives:

i) A target incentive bonus in cash and/or stock if the Company consummates a transaction with any unaffiliated third party such as an equity or debt financing, acquisition, merger , strategic partnership or other similar transaction.

ii) A one time grant of an option to purchase 2,000,000 shares of the Company's common stock at an exercise price equal to the fair market value per share on the date option is granted.

In connection with Mr. Wilhelm's new employment agreement, the Company also entered into a change of control agreement and a severance agreement with him on August 10, 2005.

Under the change of control agreement, Mr. Wilhelm shall be entitled to a continuation of his base salary for a period of 18 months following an involuntary termination, which means, at any time within that period which is one-year from the change of control date (including such date), the termination of the employment of Mr. Wilhelm (i) by the Company without cause or (ii) due to constructive termination, as such terms are defined in the change of control agreement. Further, in the event of an involuntary termination, the agreement provides that the registrant shall pay Mr. Wilhelm a lump sum amount in cash, equal to the sum of (i) any unpaid incentive compensation which has been allocated or awarded to Mr. Wilhelm for a completed fiscal year or other measuring period preceding the date of involuntary termination under any annual or long-term incentive plan and which, as of the date of involuntary termination, is contingent only upon the continued employment of Mr. Wilhelm to a subsequent date, and (ii) a pro rata portion to the date of involuntary termination of the aggregate value of all contingent incentive compensation awards to Mr. Wilhelm for all then uncompleted periods under any such plan. Further, 100% of the unvested portion of each outstanding stock option granted to Mr. Wilhelm shall be accelerated so that they become immediately exercisable upon the date of involuntary termination.

Under the severance agreement, Mr. Wilhelm shall be entitled to a continuation of his base salary for a period of 18 months following an involuntary termination, which means the termination of the employment of Mr. Wilhelm (i) by the Company without cause or (ii) due to constructive termination, as such terms are defined in the severance agreement. Further, in the event of an involuntary termination, the agreement provides that the registrant shall pay Mr. Wilhelm an amount equal to the amount of executive incentive pay (bonus) that he would have received for the year in which the involuntary termination occurred had he met one hundred percent (100%) of the target for such incentive pay. Also, under this agreement, 100% of the unvested portion of each outstanding stock option granted to Mr. Wilhelm shall be accelerated so that they become immediately
exercisable upon the date of involuntary termination.

Senior Director Of Product Development And Regulatory Affairs:

On December 19, 2008, the "Company, through its wholly-owned subsidiary ImmuneRegen BioSciences, Inc., approved a new employment agreement with Hal N. Siegel as Vice President and Chief Scientific Officer of the Company. Mr. Siegel, who is also a member of the Company's Board of Directors and has served as Vice President and Chief Scientific Officer of the Company since November, 2007, also entered into a change of control agreement with the Company. The effective date of these agreements is October 24, 2008.

Pursuant to terms of the employment agreement, Mr. Siegel will be compensated at an annual base salary of $225,000 for the first year and $247,500 for the second year. Mr. Siegel also is entitled to a sign-on cash bonus of $20,000. Fifty percent of the sign-on bonus ($10,000) shall be paid upon the signing of this agreement and fifty percent ($10,000) shall be paid within 90 days of signing this agreement. Mr. Siegel will also be eligible for bonuses in the form of cash or discretionary stock awards under the Company's stock option plan upon approval of the Company's Board of Directors. The employment agreement has a term of two years, subject to early termination provisions. The Company may terminate the employment agreement at any time for cause, as defined in the employment agreement, and with 30 days notice without cause. Mr. Siegel may terminate the employment agreement for any reason with 30 days notice. Upon termination of Mr. Siegel's employment by the Company without cause or constructive termination, as defined in the agreement, the Company agrees to pay to Mr. Siegel the remainder of his salary for the year or an amount equal to six months salary, whichever is greater, along with any accrued vacation at the time of the termination. Pursuant to the terms of the employment agreement, Mr. Siegel may not compete against the Company, and he may not solicit the Company's customers during the term of the agreement and for a period of three years following the termination of his employment agreement. Mr. Siegel also may not disclose any confidential information regarding the Company during or within three years after his employment.

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Pursuant to the terms of the change of control agreement, the Company agrees to pay Mr. Siegel his salary for a period of 18 months from the date of an involuntary termination, payable in accordance with the Company's compensation practice. Involuntary termination is defined as the termination of Mr. Siegel's employment by the Company without cause or due to constructive termination at any time within one-year from a change of control event, as defined in the agreement. The change of control agreement commences on the Effective Date and continues until the earlier of (i) the termination of Mr. Siegel's employment with Company, if the termination is prior to a change of control or (ii) subsequent to a Change of Control Date the earlier of (x) the termination of Mr. Siegel's employment absent involuntary termination or (y) the one-year anniversary of a change of control.

The Company has consulting agreements with outside contractors to provide financial and scientific advisory services. The Agreements are generally for a term of 12 months from inception.

Minimum Royalties

The agreement with University of Pittsburgh requires the Company to make minimum annual royalty payments of $5,000 through 2011, $10,000 for 2012 and 2013 and $15,000 thereafter.

Litigation

The Company is subject to other legal proceedings and claims, which arise in the ordinary course of its business. Although occasional adverse decisions or settlements may occur, the Company believes that the final disposition of such matters should not have a material adverse effect on its financial position, results of operations or liquidity.

The Company is not a party to any litigation and is not aware of any pending litigation or unasserted claims or assessments as of December 31, 2009.

NOTE 9 - INCOME TAXES

The Company has adopted Financial Accounting Standard No. 109 which requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statement or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between financial statements and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Temporary differences between taxable income reported for financial reporting purposes and income tax purposes are insignificant.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax reporting purposes. The Company’s deferred tax asset of approximately $7,500,000 and $5,710,000 at December 31, 2009 and 2008 respectively, was subject to a 100% valuation allowance at December 31, 2009 and 2008, respectively. Deferred tax assets were comprised primarily of net operating loss carryovers under the cash method of accounting used by the Company for federal income tax reporting. The valuation allowance increased by $1,790,000 and $1,889,750 in 2009 and 2008, respectively.

At December 31, 2009, the Company has net operating loss carryforwards of approximately $21,428,000 for federal income tax purposes expiring in 2010 through 2029. The ability of the Company to utilize these carryforwards may be limited should changes in stockholder ownership occur.

The difference between the reported income tax provision and the benefit normally expected by applying the statutory rate to the loss before income taxes results from the change during 2009 and 2008 of the deferred tax asset valuation allowance. As a result, the reported effective tax rate is 0%.

Components of deferred tax assets as of December 31, 2009 are as follows:

Non Current:	
Net operating loss carry forward	$ 7,499,800
Valuation allowance	(7,499,800)
Net deferred tax asset	$ -

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NOTE 10 - SUBSEQUENT EVENTS

Employment Agreement and Change of Control Agreement for Chief Financial Officer

On February 2, 2010, the Company entered into a new employment agreement with John Fermanis (effective January 1, 2010) continuing his employment as Chief Financial Officer of the Company and its wholly owned subsidiary, ImmuneRegen BioSciences, Inc. for a period of two years. Mr. Fermanis' previous employment agreement with the Company expired on December 31, 2009.

Pursuant to terms of the employment agreement, Mr. Fermanis will be compensated at an annual base salary of $140,000 for the first year and $150,000 for the second year. Mr. Fermanis will also be eligible for discretionary bonuses under the Company's stock option plan during his employment. The employment agreement has a term of two years, subject to early termination provisions.

In connection with Mr. Fermanis' new employment agreement, the Company also entered into a change of control agreement.

Pursuant to the terms of the change of control agreement, the Company agrees to pay Mr. Fermanis his salary for a period of 18 months from the date of an involuntary termination, payable in accordance with the Company's compensation practice. Involuntary termination is defined as the termination of Mr. Fermanis's employment by the Company without cause or due to constructive termination at any time within one-year from a change of control event, as defined in the agreement. The change of control agreement commences on the effective date and continues until the earlier of (i) the termination of Mr. Fermanis's employment with Company if the termination is prior to a change of control or (ii) subsequent to a change of control date the earlier of (x) the termination of Mr. Fermanis's employment absent involuntary termination or (y) the one-year anniversary of a change of control.

Convertible Debentures Sold For Accrued Interest

On March 31, 2010, per the terms of the amended Securities Purchase Agreement with YA Global Investments, L.P., the Company issued two 0% interest convertible debentures with a five year term of exercise and a minimum conversion price of $0.30 per share as payment of an aggregate of $75,000 in interest accrued during the three months ended March 31, 2010.

On March 31, 2010, per the terms of the amended Securities Purchase Agreement with Funds Managed by Brencourt Advisors, LLC the Company issued four 0% interest convertible debentures with a five year term of exercise and a minimum conversion price of $0.30 per share as payment of an aggregate of $125,000 in interest accrued during the three months ended March 31, 2010.

Shares Issued to Consultant

In December 2009, the Company and a consultant agreed to extend the term of an agreement by three months; therefore, the Company is to issue an additional 133,332 shares of common stock to the consultant for services rendered November 1, 2009 to January 31, 2010. The securities are to be issued from the Company's 2003 Stock Option, Deferred Stock, Restricted Stock and Bonus Stock Plan. In December 44,444 of these shares were issued for services performed in November 2009 with a fair value of $10,222. As of December 31, 2009, the 44,444 shares for services performed in December 2009 have not been issued and the fair value of these shares of $10,222 has been recorded as common stock subscribed at December 31, 2009. An additional 44,444 shares with a fair value of $10,222 are to be issued to the consultant under the agreement for services performed in January 2010.

In February 2010, 500,000 shares of common stock with a fair value of $190,000 were issued to the consultant for services performed in January and February 2010. The securities are to be issued from the Company's 2003 Stock Option, Deferred Stock, Restricted Stock and Bonus Stock Plan.

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Exhibits

10.41 Employment Agreement dated February 2, 2010 by and between the Company and John N. Fermanis

10.42 Change of Control Agreement dated February 2, 2010 by and between the Company and John N. Fermanis

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