VioQuest Pharmaceuticals, Inc.
Form S-1/A
August 05, 2008

As filed with the Securities and Exchange Commission on August 5, 2008
Registration No. 333-151115

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

PRE-EFFECTIVE AMENDMENT NO. 2
TO
FORM S-1
REGISTRATION STATEMENT UNDER
THE SECURITIES ACT OF 1933

VioQuest Pharmaceuticals, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**2834**	**58-1486040**
(State or jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

180 Mount Airy Road, Suite 102
Basking Ridge, NJ 07920
(Address and telephone number of principal executive offices and principal place of business)

Michael D. Becker
Chief Executive Officer
VioQuest Pharmaceuticals, Inc.
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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.
If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. x
If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

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

Large accelerated filer	o	Accelerated filer	o
Non-accelerated filer	o	Smaller reporting company	x

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Commission, acting pursuant to such Section 8(a), may determine.

A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state.

Subject to completion, dated August 5, 2008

OFFERING PROSPECTUS

VioQuest Pharmaceuticals, Inc.

1,307,581 Shares

Common Stock

The selling stockholders identified on pages 19-20 of this prospectus are offering on a resale basis a total of 1,307,581 shares of our common stock, including 482,754 shares issuable upon the exercise of outstanding warrants. We will not receive any proceeds from the sale of these shares by the selling stockholders.

Our common stock is quoted on the OTC Bulletin Board under the symbol “VOQP.” On August 4, 2008, the last sale price for our common stock as reported on the OTC Bulletin Board was $ 0.51.

The securities offered by this prospectus involve a high degree of risk.
See “Risk Factors” beginning on page 12.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined that this prospectus is truthful or complete. A representation to the contrary is a criminal offense.

The date of this Prospectus is , 2008.

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PROSPECTUS SUMMARY

This summary provides a brief overview of the key aspects of this offering. Because it is only a summary, it does not contain all of the detailed information contained elsewhere in this prospectus or in the documents included as exhibits to the registration statement that contains this prospectus. Accordingly, you are urged to carefully review this prospectus in its entirety.

Our Company

Product Pipeline

VioQuest Pharmaceuticals, Inc. is a biopharmaceutical company focused on the acquisition, development and commercialization of clinical stage drug therapies targeting both the molecular basis of cancer and side effects of cancer treatment. Our lead compound under development is Xyfid™ (1% topical uracil) for the treatment and prevention of Hand-Foot Syndrome ("HFS"), a common and serious side effect of chemotherapy treatments. In parallel, Xyfid is also being developed to treat dry skin conditions and manage the burning and itching associated with various diseases of the skin, or dermatoses. We expect to initiate a Phase IIb program for Xyfid in 2008 for HFS and we filed our 510(k) Premarket Notification application with the U.S. Food and Drug Administration ("FDA") on June 30, 2008, seeking marketing clearance for Xyfid to treat various dermatoses. Additionally, we are developing VQD-002 (triciribine phosphate monohydrate or TCN-P), a small molecule anticancer compound that inhibits activation of protein kinase B (PKB or AKT), a key component of a signaling pathway known to promote cancer cell growth and survival as well as resistance to chemotherapy and radiotherapy. VQD-002 is currently in Phase I clinical development for multiple tumor types and we expect to advance VQD-002 into Phase II clinical development during 2008. We are also developing Lenocta™ (sodium stibogluconate), which we previously referred to as VQD-001, a selective, small molecule inhibitor of certain protein tyrosine phosphatases ("PTPs"), such as SHP-1, SHP-2 and PTP1B, with demonstrated anti-tumor activity against a wide spectrum of cancers both alone and in combination with other approved immune activation agents, including IL-2 and interferons. Lenocta is currently in a Phase IIa clinical trial as a potential treatment for melanoma, renal cell carcinoma, and other solid tumors. In addition to its potential role as a cancer therapeutic, sodium stibogluconate has been approved in most of the world for first-line treatment of leishmaniasis, an infection typically found in tropic and sub-tropic developing countries. Based on historical published data and a large observational study by the U.S. Army, data from approximately 400 patients could be utilized to support a New Drug Application ("NDA") with the FDA in 2008. Lenocta has been granted Orphan Drug status for leishmaniasis. To date, we have not received approval for the sale of any of our drug candidates in any market and, therefore, have not generated any product sales from our drug candidates.

Xyfid™ (1% Topical Uracil)

A pilot clinical study of seven patients has shown topical application of Xyfid to patients' hands and feet to be effective in preventing the recurrence of HFS, the dose limiting effect from the use of Xeloda™ (capecitabine or 5-FU). The FDA has granted Xyfid fast track designation for the prevention of HFS in patients receiving capecitabine for the treatment of advanced metastatic breast cancer. There are no existing treatments or preventions for HFS. The only way to reduce HFS in patients who receive capecitabine or 5-FU is to lower the dosing levels, or completely stop the use, of capecitabine; however, capecitabine dose reductions may diminish chemotherapeutic efficacy in the treatment of life-threatening cancer. We expect to initiate a Phase IIb program for Xyfid™ in the first half of 2008.

We are pursuing FDA approval of Xyfid as a medical device pursuant to Section 510(k) of the Food Drug and Cosmetic Act, or FDCA, and have submitted our 510(k) application on June 30, 2008. This process is generally known as 510(k) clearance. Some low risk devices are exempt from this requirement. Devices deemed by the FDA to pose the greatest risk, such as life-sustaining, life-supporting or implantable devices, or devices deemed not substantially equivalent to a previously cleared 510(k) device, are placed in Class III, requiring pre-market approval,

or PMA approval. When a 510(k) clearance is required, the device sponsor must submit a premarket notification demonstrating that its proposed device is substantially equivalent to a previously cleared 510(k) device or a device that was in commercial distribution. The evidence required to prove substantial equivalence varies with the risk posed by the device and its complexity. After a device receives 510(k) clearance for a specific intended use, any modification that could significantly affect its safety or effectiveness, or that would constitute a major change in its intended use, design or manufacture, will require a new 510(k) clearance or could require a PMA approval application.

We filed our 510(k) submission based upon our belief that both Epiceram® and Xclair® provide substantial predicate device equivalence in order for the FDA to grant 510(k) clearance for Xyfid. Our strategy with Xyfid is based upon the same skin irritant indication as Epiceram®, where we can use our uracilbased product to treat the initial symptoms of HFS, to act as a barrier or protectant to the skin’s environment, which is well documented to include erythema and may progress to burning pain with dryness, cracking, desquamation, ulceration and oedema. By regulation, the FDA is required to complete its review of a 510(k) within 90 days of submission of the application. As a practical matter, however, clearance often takes longer. The FDA may require additional information, including clinical data, to make a determination regarding substantial equivalence. If we are not successful in obtaining 510(k) clearance for Xyfid, our regulatory strategy for Xyfid would be the more conventional pathway for pharmaceutical products under the FDCA.

VQD-002 (tricirbine phosphate monohydrate)

We are currently evaluating VQD-002 in patients with hyper-activated, phosphorylated AKT in two Phase I/IIa studies, with up to 42 patients at the Moffitt Cancer Center in solid tumors and at the M.D. Anderson Cancer Center in hematological tumors, with particular attention in leukemias. We expect to complete our Phase I/IIa solid and hematologic tumor studies in 2008. We expect to initiate Phase II studies in 2008. VQD-002 is a nucleoside analog that was previously advanced into clinical trials by the National Cancer Institute in the 1980s and early 1990s, and showed compelling anti-cancer activities. In the first quarter of 2008, VQD-002 received orphan drug designation by the FDA for the treatment of multiple myeloma. We filed with the FDA an IND relating to VQD-002, which was accepted in April 2006. Pursuant to this IND, we are currently evaluating the safety, tolerability and activity of VQD-002 and its ability to reduce AKT phosphorylation in our two Phase I/IIa clinical trials.

Lenocta™ (sodium stibogluconate)

We are currently evaluating Lenocta in combination with alpha interferon ("IFN a-2b") in a Phase IIa study, with up to 54-patients at the M.D. Anderson Cancer Center and the University of New Mexico, with advanced malignancies and solid tumors that have been non-responsive in previous cytokine therapy. We expect to complete enrollment in our Phase IIa solid tumor trial in 2008. Lenocta has shown to be an inhibitor of multiple protein tyrosine phosphatases (PTPases), specifically the SRC homology PTPases such as SHP-1, SHP-2 and PTP1B. We filed with the FDA an IND for Lenocta, which the FDA accepted in August 2006, allowing us to commence clinical trials of Lenocta. Potential advantages of Lenocta over existing therapies include Lenocta's long history of use, acceptable toxicity, known safety profiles, and efficacy in preclinical cancer models.

Lenocta is a pentavalent antimonial drug that has been in use for over 50 years in parts of Africa and Asia for the treatment of leishmaniasis (a protozoan disease). According to the World Health Organization, leishmaniasis currently threatens 350 million men, women, and children in 88 countries around the world. This drug is currently being used to treat military personnel serving in parts of the world where leishmaniasis is prevalent, and we are currently in collaboration with the U.S. Army under an executed Cooperative Research and Development Agreement. In the second half of 2006, Lenocta received orphan drug designation by the FDA for the treatment of leishmaniasis.

Overview of Drug Development Status

To date, we have not received approval for the sale of any drug candidates in any market and, therefore, have not generated any revenues from our drug candidates. The successful development of our product candidates is highly uncertain. Product development costs and timelines can vary significantly for each product candidate and are difficult to accurately predict. Various laws and regulations also govern or influence the manufacturing, safety, labeling, storage, record keeping and marketing of each product. The lengthy process of seeking these approvals, and the subsequent compliance with applicable statutes and regulations, require the expenditure of substantial resources. Any failure by us to obtain, or any delay in obtaining, regulatory approvals could materially adversely affect our business.

Assuming we do not encounter any unforeseen safety issues or other during the course of developing our product candidates, we do not expect to complete the development of: Xyfid until approximately 2008 through a 510(k) submission, 2010 for Xyfid through an NDA submission, and 2013 for oncology indications of VQD-002 and Lenocta, if ever. In addition, as we continue the development of our product candidates, our research and development expenses will significantly increase. Accordingly, our success depends not only on the safety and efficacy of our product candidates, but also on our ability to finance the development of these product candidates. Our major sources of working capital have been proceeds from various private financings, primarily private sales of our common stock and other equity securities.

Corporate Information

We were originally formed in October 2000, as a Pennsylvania limited liability company under the name Chiral Quest, LLC. In February 2003, we completed a reverse acquisition of Surg II, Inc., a publicly-held Minnesota shell corporation and were renamed to Chiral Quest, Inc. In August 2004, we then changed our name to VioQuest Pharmaceuticals, Inc. and formed Chiral Quest, Inc. as our wholly-owned subsidiary. In October 2005, we reincorporated under Delaware law by merging into a wholly-owned subsidiary VioQuest Delaware, Inc., incorporated under Delaware law as the surviving corporation and our wholly-owned subsidiary. Immediately following the reincorporation, we acquired Greenwich Therapeutics, Inc., a privately-held, New York City based drug development company, in a merger transaction in which we merged our wholly-owned subsidiary VioQuest Delaware, Inc. with and into Greenwich Therapeutics, with Greenwich Therapeutics remaining as the surviving corporation and our wholly-owned subsidiary. As a result of the acquisition of Greenwich Therapeutics, we acquired the rights to develop and commercialize two oncology drug candidates – Lenocta, and VQD-002.

In July 2007, we sold all of our shares of capital stock of our Chiral Quest subsidiary. Chiral Quest provided innovative chiral products, technology and custom synthesis services to pharmaceutical and final chemical companies in all stages of a products' life cycle.

Lenocta™ is our trademark for our sodium stibogluconate product candidate. Xyfid™ is the trademark for our topical uracil product candidate. All other trademarks and tradenames mentioned in this prospectus are the property of their respective owners. We have applied for rights to the Lenocta and Xyfid trademarks from the U.S. Patent and Trademark Office.

Our executive offices are located at 180 Mount Airy Road, Suite 102, Basking Ridge, New Jersey 07920 and our telephone number is (908) 766-4400. Our Internet site is www.vioquestpharm.com.

Risk Factors

For a discussion of some of the risks you should consider before purchasing shares of our common stock, you are urged to carefully review and consider the section entitled "Risk Factors" beginning on page 12 of this prospectus.

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The Offering

This prospectus covers the resale of 1,307,581 shares of our common stock. Because of the large number of shares of our common stock underlying our Series A Convertible Preferred Stock, Series B Convertible Preferred Stock, and related investor warrants and placement agent warrants, we are only registering the number of shares equal to one-third of the shares of our common stock held by non-affiliates prior to the offering of our Series A Convertible Preferred Stock. Thus, we proportionally reduced the number of shares of common stock underlying our Series A Convertible Preferred Stock, the warrants received by investors purchasing our Series A Convertible Preferred Stock, and the warrants issued to the placement agents in conjunction with the offering of our Series A Convertible Preferred Stock.

The total dollar value of the common stock being registered for resale pursuant to this prospectus is $1,307,581, as determined by the market price of our common stock on April 9, 2008. The total dollar value of the shares of common stock underlying the Series A Convertible Preferred Stock is $824,827 and the aggregate dollar value of the shares of common stock underlying the investor warrants and placement agent warrants is $482,754.

The selling stockholders identified on pages 19-20 of this prospectus are offering on a resale basis a total of 1,307,581 shares of our common stock, as follows:

- 824,827 shares of our common stock underlying shares of our Series A Convertible Preferred Stock convertible at a price of $0.60 per share issued to the investors in our private placement of Series A Convertible Preferred stock;

- 437,412 shares of our common stock issuable at a price of $1.00 per share upon the exercise of warrants issued to the investors in our private placement of Series A Convertible Preferred stock; and

- 45,342 shares of our common stock issuable at a price of $0.80 per share upon the exercise of warrants issued to the placement agents in connection with our private placement of Series A Preferred Stock.

Common stock offered	1,307,581 shares
Common stock outstanding before the offering(1)	5,461,644 shares
Common stock outstanding after the offering(2)	6,769,225 shares
Common Stock OTC Bulletin Board symbol	VOQP.OB

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(1) Based on the number of shares outstanding as of July 30, 2008, not including 3,467,882 shares issuable upon exercise of various warrants and options to purchase common stock, or 3,743,196 shares issuable upon exercise of warrants issued in connection with Series A Preferred Stock and Series B Preferred Stock or 5,774,167 shares of Common Stock issuable upon conversion of Series A Convertible Preferred Stock or 896,096 shares of Common Stock issuable upon conversion of Series B Convertible Preferred Stock. .

(2) Assumes the issuance of all shares offered hereby that are issuable upon exercise of warrants and upon conversion of the Series A Convertible Preferred Stock, but does not include shares not covered by this prospectus.

As of the date of this prospectus, none of the shares of common stock underlying our Series A Convertible Preferred Stock, Series B Convertible Preferred Stock, investor warrants, or placement agent warrants have been issued or are outstanding.

Recent Developments

Appointment of Chief Financial Officer

On July 21, 2008, we hired Christopher P. Schnittker as our Chief Financial Officer and Vice President. Mr. Schnittker replaced Brian Lenz who resigned his office as Chief Financial Officer on July 21, 2008. Mr. Schnittker previously served as Senior Vice President and Chief Financial Officer of Micromet, Inc. We entered into an employment agreement with Mr. Schnittker with a two-year term and a base salary of $185,000. We granted Mr. Schnittker stock options and he is eligible to receive bonuses as described below in "Executive Compensation – Employment Agreements with Named Executives – Christoper Schnittker."

Amendment of Escrow Agreement

On July 8, 2008, we amended our escrow agreement with J. Jay Lobell, as stockholders' representative, U.S. Bank National Association, as the escrow agent, and Greenwich Therapeutics, Inc., to extend the termination date for the escrow agreement until June 30, 2009. The amendment was made effective as of June 30, 2008, and replaced the original escrow termination Date of the same date. All other obligations set forth in the original escrow agreement remain in full force and effect. We previously filed a current report on Form 8-K on July 10, 2008 disclosing the amendment of the escrow agreement.

Reverse Stock Split

On April 25, 2008, we effected a 1-for-10 reverse stock split of our common stock. Upon the effective time of the split, each shareholder owning 10 shares of pre-split common stock received 1 share of post-split common stock. In lieu of fractional shares, each record holder of securities at the effective time, who would otherwise have been entitled to receive a fractional security is entitled to, upon surrender of such holder's certificates representing pre-split securities, a cash payment (without interest). Pursuant to the reverse stock split, all of our warrants, options, and conversion ratios were adjusted accordingly. Unless otherwise noted in this prospectus, all of the figures for the number of outstanding shares of common stock and shares of common stock underlying preferred stock, warrants, and options contained herein have been adjusted to reflect the 1-for-10 reverse split.

Note Offering

On June 29, 2007 and July 3, 2007, we issued a series of convertible promissory notes resulting in aggregate gross proceeds of $3.7 million. As a condition to the initial closing of the private placement of our Series A Convertible Preferred Stock, a majority of the principal amount outstanding under these notes agreed to convert all principal, together with accrued interest, into approximately 3,405 shares of our newly-designated Series B Convertible Preferred Stock. The holders agreed to amend the notes to affect the conversion into Series B Convertible Preferred Stock so that we could conduct the initial closing of our offering and receive financing necessary to continue the development of our products and operations. Each share of Series B Convertible Preferred Stock is convertible into shares of our common stock at $3.80 per share, or approximately 896,096 shares of common stock in the aggregate.

Placement Agent Commission and Fees

In connection with our offering of our convertible promissory notes, we paid an aggregate of approximately $256,000 in placement agent commissions to all of the placement agents, including $119,700 to Paramount BioCapital, Inc. We also paid the placement agents approximately $24,000 as non-accountable expense allowance and we issued the placement agent's five-year warrants to purchase as adjusted for the 1-for-10 reverse stock, an aggregate of approximately 120,000 shares of common stock exercisable at a price of $4.20 per share.

Officer and Director Participation

Brian Lenz, our former Chief Financial Officer, and Michael Weiser, one of our directors, both invested in our offering of senior convertible promissory notes in June and July 2007. Mr. Lenz was issued a senior convertible promissory note in the amount of $5,000. Mr. Weiser was issued a senior convertible promissory note in the amount of $10,000. Please refer to "Description of Private Placement of Preferred Stock - Conversion of Notes Held by Officers and Directors" for more information.

Offering of Preferred Stock

On March 14, and April 9, 2008 we closed on our private placement of our Series A Convertible Preferred Stock. We issued an aggregate of 3,464.5 shares of our Series A Convertible Preferred Stock to our investors, along with five year warrants to purchase an aggregate of 2.88 million shares of our common stock at a price of $1.00 per share. We engaged Paramount BioCapital, Inc., as our placement agent and paid Paramount a commission of $54,000 and a reimbursement for fees. Please refer to "Description of Private Placement of Preferred Stock" below for more information about the offering.

A description of the rights of the Series A Convertible Preferred Stock and the Series B Convertible Preferred Stock may be found below under "Description of Capital Stock."

DESCRIPTION OF PRIVATE PLACEMENT OF PREFERRED STOCK

On March 14, 2008, we issued 765 shares of Series A Convertible Preferred Stock at a price of $1,000 per share resulting in aggregate gross proceeds of $765,000. On April 9, 2008, we issued 2,194.5 shares of Series A Convertible Preferred Stock at a price of $1,000 per share resulting in aggregate gross proceeds of $2,194,500, and reissued the shares originally issued on March 14, 2008, for total gross proceeds of $2,959,500. Each share of Series A Convertible Preferred Stock sold is convertible into shares of our common stock at $0.60 per share, or approximately 4.93 million shares of common stock in the aggregate. In addition, two investors elected to convert a portion of the principal and unpaid but accrued interest of their note into 505 shares of Series A Convertible Preferred Stock on the same terms as their purchase of Series A Convertible Preferred Stock. We also issued to investors five-year warrants to purchase an aggregate of approximately 2.88 million shares of our common stock at an exercise price of $1.00 per share. The Series A Preferred Stock was sold to 35 investors, each of which we reasonably believed was an "accredited investor," as defined under Rule 501(a) of the Securities Act of 1933, and no means of general solicitation or advertising was used in connection with the offering. Accordingly, we relied on the exemptions from the registration requirements of the Securities Act provided by Section 4(2) and Rule 506.

Placement Agent Commission and Fees

In connection with the offering, we engaged Paramount as our placement agent. Dr. Lindsay A. Rosenwald is the Chairman, CEO and sole stockholder of Paramount and a substantial holder of our stock. In consideration for the placement agent's services, we paid an aggregate of approximately $54,000 in commissions to Paramount in connection with the offering. We also paid to Paramount $35,000 as a non-accountable expense allowance. In addition, we issued to Paramount five-year warrants to purchase an aggregate of approximately 492,416 shares of common stock, which are exercisable at a price of $0.80 per share. Dr. Rosenwald participated in this financing, through a family investment partnership, of which he is the managing member.

Total Potential Investor Profit From Preferred Stock

The table below sets forth the total possible investor profit arising from the private placement of our Series A Convertible Preferred Stock on April 9, 2008. As stated in the table, the investors purchasing our Series A Convertible Preferred Stock received an aggregate discount of $1,154,833.40 from the market price of our common stock on April 8, 2008.

Series A Convertible Preferred Stock

Market Price of Common Stock on April 8, 2008*	Fixed Conversion Price of Series A Stock	Total Number of Shares of Common Stock Underlying Series A Stock	Total Market Price of Shares Underlying Series A Stock	Aggregate Conversion Price of Shares at Fixed Conversion Price	Total Discount for Series A Purchasers
$ 0.80	$ 0.60	5,774,167	$ 4,619,333.60	$ 3,464,500.20	$ 1,154,833.40

* The final closing of the Series A Convertible Preferred Stock private placement occurred on April 9, 2008.

The table below sets froth the total possible investor profit arising from the conversion of our senior convertible promissory notes into shares our Series B Convertible Preferred Stock on March 14, 2008.

Series B Convertible Preferred Stock

Market Price of Common Stock on March 13, 2008*	Fixed Conversion Price of Series B Stock	Total Number of Shares of Common Stock Underlying Series B Stock	Total Market Price of Shares Underlying Series B Stock	Aggregate Conversion Price of Shares at Fixed Conversion Price	Total Premium for Series B Purchasers
$ 0.80	$ 3.80	896,096	$ 716,876.80	$ 3,405,164.80	$ 2,688,288

* The Company issued the shares of Series B Convertible Preferred Stock upon the conversion of its senior convertible promissory notes on March 14, 2008.

Summary of Proceeds

The following table sets forth both our gross and net proceeds from the private placement of our Series A Convertible Preferred Stock on April 9, 2008, as well as our net proceeds less the aggregate discount for the investors purchasing our Series A Convertible Preferred Stock.

Aggregate Gross Proceeds	Placement Agent Fees and Commissions	Aggregate Net Proceeds to Company	Total Discount for Series A Purchasers	Net Proceeds Less Total Discount for Series A Purchasers
$ 2,959,500	$ 242,000	$ 2,717,500	$ 1,154,833.40	$ 1,562,666.60

All of our senior convertible promissory notes were converted into shares of Series B Convertible Preferred Stock on March 14, 2008, thus we did not receive any proceeds upon the issuance of its Series B Convertible Preferred Stock. However, we did receive proceeds upon the original issuance of our senior convertible preferred notes on June 27, 2007 and July 3, 2007. Please note that the conversion price of the senior convertible preferred notes did not contain a discount provision.

Senior Convertible Promissory Notes

Aggregate Gross Proceeds	Placement Agent Fees and Commissions	Aggregate Net Proceeds to Company
$ 3,700,000	$ 256,025	$ 3,443,975

Other Information

We do not have any information that states any of the selling shareholders have existing short positions on our common stock.

Rule 415 and Registration of Shares for Resale

We are only able to register a portion of the shares of common stock underlying our Series A Convertible Preferred Stock and related investor and placement agent warrants because of Rule 415. Pursuant to the SEC's application of Rule 415, we are only able to register shares equal to one-third of the shares of common stock held by non-affiliates prior to this offering. Thus, this prospectus covers 1,307,581 shares of our common stock underlying our Series A Convertible Preferred Stock, investor warrants, and placement agent warrants.

Conversion of Promissory Notes and Issuance of Series B Convertible Preferred Stock

As a condition to the initial closing of the private placement, the majority of the holders of the June 29, 2007 and July 3, 2007 convertible promissory notes agreed to convert such notes, together with accrued interest, into approximately 3,410 shares of our newly-designated Series B Convertible Preferred Stock. The holders received one share of Series B Convertible Preferred Stock for each $1,000 of principal and unpaid accrued interest on their notes. Thus, our outstanding convertible notes were cancelled and converted into shares of our Series B Convertible Preferred Stock on March 14, 2008. Pursuant to the terms of the conversion, any unpaid accrued interest was added to the principal of the outstanding note and the sum was used to determine the number of shares of Series B Convertible Preferred Stock to be issued to the former note holder. For instance, if an investor held a senior convertible promissory note in the amount of $10,000 and such note had unpaid accrued interest of $570, the principal and interest were aggregated to equal $10,570 and the investor received 10.570 shares of Series B Convertible Preferred Stock. The table below lists each former note holder’s name, the amount of principle of each former note holder’s note as issued by us in June or July of 2007, and the amount of accrued interest as of the close of business on March 13, 2008, the day before the unpaid accrued interest of the note was converted into Series B Preferred Stock.

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Investors Holding Promissory Notes on March 13, 2008, Accrued Interest, and Shares of Series B Convertible Preferred Stock Received Upon Note Conversion

Investor Name	Amount of Convertible Promissory Note	Accrued Interest Through March 13, 2008	Shares of Series B Convertible Preferred Stock Received Upon Note Conversion
Neel B. Ackerman and Martha N. Ackerman	$ 200,000.00	$ 11,396	211.396
Vincent M. Aita	$ 10,000.00	$ 570	10.570
Jesus A. Anaya	$ 25,000.00	$ 1,402	26.402
Lucille S. Ball Irrevocable Trust, Richard L. Clarkson, Trustee	$ 85,000.00	$ 4,766	89.766
Lee P. Bearsch	$ 50,000.00	$ 2,803	52.803
David Benadum	$ 20,000.00	$ 1,140	21.140
Frank Calcutta	$ 150,000.00	$ 8,547	158.547
Duane Clarkson	$ 65,000.00	$ 3,644	68.644
Clarkson Trust, Richard L. Clarkson, Trustee	$ 50,000.00	$ 2,803	52.803
Cranshire Capital, LP	$ 250,000.00	$ 14,017	264.017
CSA Biotechnology Fund I, LLC	$ 1,250,000.00	$ 71,228	821.228(1)
Michael Cushing	$ 50,000.00	$ 2,803	52.803
Ennino DePianto	$ 25,000.00	$ 1,402	26.402
Praful Desai	$ 75,000.00	$ 4,273	79.273
Gregg Dovolis	$ 75,000.00	$ 4,273	79.273
John O. Dunkin	$ 50,000.00	$ 2,849	52.849
Franz Family Trust, David and Nicole Franz, Trustees	$ 25,000.00	$ 1,424	26.424
Stephen Gerber	$ 100,000.00	$ 5,698	105.698
Daniel E. Greenleaf	$ 17,500.00	$ 997	18.497
Robert Guercio	$ 75,000.00	$ 4,273	79.273
Robert Joseph	$ 25,000.00	$ 1,402	26.402
Ronald P. Laurain	$ 25,000.00	$ 1,424	26.424
Stephen H. Lebovitz	$ 25,000.00	$ 1,424	26.424
Brian Lenz	$ 5,000.00	$ 285	.285(2)
S. Alan Lisenby	$ 150,000.00	$ 8,547	158.547
Joe Nitti	$ 10,000.00	$ 561	10.561
Thomas & Denise M. Nudo	$ 225,000.00	$ 12,820	237.820
Alan Platner	$ 25,000.00	$ 1,402	26.402
David Pudelsky & Nancy Pudelsky	$ 30,000.00	$ 1,709	31.709
Louis R. Reif	$ 80,000.00	$ 4,558	84.558
Suzanne Schiller	$ 25,000.00	$ 1,424	26.424
George L. Seward	$ 25,000.00	$ 1,402	26.402
Jerome Shinkay	$ 25,000.00	$ 1,424	26.424
William Silver	$ 25,000.00	$ 1,424	26.424
Vernon L. Simpson	$ 25,000.00	$ 1,402	26.402
Lucile Slocum	$ 80,000.00	$ 4,558	84.558
Pershing LLC as Custodian for Howard M. Tanning	$ 125,000.00	$ 7,122	132.122
Carolyn Taylor	$ 100,000.00	$ 5,698	105.698
Michael Weiser	$ 10,000.00	$ 570	10.570
M.H. Yokoyama & J.S. Venuti Family Trust dated 4/95	$ 12,500.00	$ 701	13.201

(1) CSA Biotechnology Fund I, LLC, invested $500,000 in our private placement of the Series A Convertible Preferred Stock and, pursuant to the terms of the Series B Convertible Preferred Stock, converted an amount equal to such investment on a dollar-for-dollar basis from Series B Convertible Preferred Stock into Series A Preferred Stock. Thus, CSA Biotechnology Fund's number of shares of Series B Convertible Preferred Stock was reduced by the amount converted into Series A Convertible Preferred Stock.
(2) Brian Lenz, our Former Chief Financial Officer, invested $5,000 in our private placement of Series A Convertible Preferred Stock and, pursuant to the terms of the Series B Convertible Preferred Stock, converted an amount equal to such investment on a dollar-for-dollar basis from Series B Convertible Preferred Stock into Series A Preferred Stock. Thus, Mr. Lenz's number of shares of Series B Convertible Preferred Stock was reduced by the amount converted into Series A Convertible Preferred Stock.

Conversion of Notes Held by Officers and Directors

Brian Lenz, our Former Chief Financial Officer, and Michael Weiser, one of our directors, both invested in our offering of senior convertible promissory notes in June and July 2007. Mr. Lenz was issued a senior convertible promissory note in the amount of $5,000. Upon the conversion of Mr. Lenz's note into shares of our Series B Convertible Preferred Stock on March 14, 2008, the note had accrued $285 in interest. Mr. Lenz purchased 5 shares of our Series A Convertible Preferred Stock on April 9, 2008. Pursuant to the terms of the Series B Convertible Preferred Stock, as set forth in our Certificate of Designation filed with the Delaware Secretary of State (filed as Exhibit 3.1 to the Company's Form 8-K filed on March 20, 2008), Mr. Lenz converted an equal amount of his Series B Convertible Preferred Stock into shares of Series A Convertible Preferred Stock on a dollar-for-dollar basis. Thus, Mr. Lenz currently holds 10 shares of our Series A Convertible Preferred Stock and 0.285 shares of our series B Convertible Preferred Stock. Mr. Weiser was issued a senior convertible promissory note in the amount of $10,000. Upon the conversion of Mr. Weiser's note into shares of the Company's Series B Convertible Preferred Stock on March 14, 2008, the note had accrued $570 in interest. Mr. Weiser currently hold 10.57 shares of our Series B Convertible Preferred Stock.

RISK FACTORS

Risks Related to Our Business

We urgently require immediate additional financing in order to continue the development of our products and otherwise develop our business operations. Such financing may not be available on acceptable terms, if at all.

Following the completion of our private placement of our Series A Convertible Preferred Stock, we believe that our current capital will be adequate to fund our operations through the third quarter of 2008. However, changes may occur that would consume available capital resources before that time. Our combined capital requirements will depend on numerous factors, including: costs associated with our drug development process, and costs of clinical programs, changes in our existing collaborative relationships, the cost of filing, prosecuting, defending and enforcing patent claims and other intellectual property rights and the outcome of any potentially related litigation or other dispute, acquisition of technologies, costs associated to the development and regulatory approval progress of our drug compounds, costs relating to milestone payments to our licensors, license fees and manufacturing costs, the hiring of additional people in the clinical development and business development areas. We will most likely require additional financing by as early as the third quarter of 2008 in order to continue operations. The most likely source of such financing includes private placements of our equity or debt securities or bridge loans to us from third party lenders, or by potentially sublicensing our rights to our products.

Additional capital that may be needed by us in the future may not be available on reasonable terms, or at all. If adequate financing is not available, we may be required to terminate or significantly curtail our development programs, or enter into arrangements with collaborative partners or others that may require us to relinquish rights to certain of our technologies, or potential markets that we would not otherwise relinquish. Alternatively, we may be required to cease our operations altogether, in which case our stockholders may lose their entire investment in our company.

Our management anticipates incurring losses for the foreseeable future.

Since inception, the Company has incurred an accumulated deficit of $42,513,278 through March 31, 2008. For the three months ended March 31, 2008 and 2007, the Company had losses from continuing operations of $3,080,981 and $2,256,778, respectively, and used $1,060,445 and $1,347,108 of cash in continuing operating activities for the three months ended March 31, 2008 and 2007, respectively. For the three months ended March 31, 2008 and 2007, the Company had a net loss of $3,080,981 and a net loss of $2,518,253 (which included $2,256,778 from continuing operations), respectively. As of March 31, 2008, the Company had a working capital deficit of $2,801,606 and cash and cash equivalents of $305,561. We expect operating losses to continue for the foreseeable future and there can be no assurance that we will ever be able to operate profitably.

We have no meaningful operating history on which to evaluate our business or prospects.

We commenced operations in October 2000 through our former Chiral Quest business, which we sold in July 2007. In August 2004, we determined to become engaged in the drug development business and acquired rights to our first two drug candidates in October 2005 through our acquisition of Greenwich Therapeutics. In March 2007, we acquired the rights to our third drug candidate from Fiordland Pharmaceuticals, Inc. Therefore, we have only a limited operating history on which you can base an evaluation of our business and prospects. Accordingly, our business prospects must be considered in light of the risks, uncertainties, expenses and difficulties frequently encountered by companies in their early stages of development, particularly companies in new and rapidly evolving markets, such as drug development, fine chemical, pharmaceutical and biotechnology markets.

Our operating results will fluctuate, making it difficult to predict our results of operations in any future period.

As we develop our business, we expect our operating results to vary significantly from quarter-to-quarter. As a result, quarter-to-quarter comparisons of our operating results may not be meaningful. In addition, due to the fact that we have little or no significant operating history with our new technology, we cannot predict our future revenues or results of operations accurately. Our current and future expense levels are based largely on our planned expenditures.

A small group of persons is able to exert significant control over us.

Dr. Lindsay A. Rosenwald is the chairman and sole owner of Paramount BioCapital, Inc. and such affiliates. Dr. Rosenwald beneficially owns approximately 11.6% of our outstanding common stock, and several trusts for the benefit of Dr. Rosenwald and his family beneficially own 6.6% of our outstanding common stock. Although Dr. Rosenwald does not have the legal authority to exercise voting power or investment discretion over the shares held by those trusts, he nevertheless may have the ability to exert significant influence over us.

From the rights we have obtained to develop and commercialize our drug candidates, we will require significant additional financing, which may not be available on acceptable terms and will significantly dilute your ownership of our common stock.

We will not only require additional financing to develop and bring the drug to market. Our future capital requirements will depend on numerous factors, including:

- the terms of our license agreements pursuant to which we obtain the right to develop and commercialize drug candidates, including the amount of license fees and milestone payments required under such agreements;
- the results of any clinical trials;
- the scope and results of our research and development programs;
- the time required to obtain regulatory approvals;
- our ability to establish and maintain marketing alliances and collaborative agreements; and
- the cost of our internal marketing activities.

We require significant additional capital in the immediate near future to operate our business. The most likely source of such financing includes private placements of our equity or debt securities or bridge loans to us from third party lenders. If adequate funds are not available, we will be required to delay, scale back or eliminate a future drug development program or obtain funds through arrangements with collaborative partners or others that may require us to relinquish rights to technologies or products that we would not otherwise relinquish. In addition, if we do not receive substantial additional capital in the immediate near future, we may also be required to cease operations altogether, in which case you would likely lose all of your investment.

We will continue to experience significant negative cash flow for the foreseeable future and may never become profitable.

Because drug development takes several years and is extremely expensive, we expect that our drug development subsidiary will incur substantial losses and negative operating cash flow for the foreseeable future, and may never achieve or maintain profitability, even if we succeed in acquiring, developing and commercializing one or more drug candidates. In connection with our proposed drug development business, we also expect to continue to incur

significant operating and capital expenditures and anticipate that our expenses will increase substantially in the foreseeable future as we:

- acquire the rights to develop and commercialize a drug candidate;
- undertake pre-clinical development and clinical trials for drug candidates that we acquire;
- seek regulatory approvals for drug candidates
- implement additional internal systems and infrastructure;
- lease additional or alternative office facilities; and
- hire additional personnel.

Our drug development business may not be able to generate revenue or achieve profitability. Our failure to achieve or maintain profitability could negatively impact the value of our common stock.

If we are not able to obtain the necessary U.S. or worldwide regulatory approvals to commercialize any product candidates that we acquire, we will not be able to sell those products.

We will need FDA approval to commercialize drug candidates in the U.S. and approvals from the FDA equivalent regulatory authorities in foreign jurisdictions to commercialize our product candidates in those jurisdictions. In order to obtain FDA approval of a drug candidate, we will be required to first submit to the FDA for approval an IND, which will set forth our plans for clinical testing of a particular drug candidate.

When the clinical testing for our product candidates is complete, we will then be required to submit to the FDA a New Drug Application, or NDA, demonstrating that the product candidate is safe for humans and effective for its intended use. This demonstration will require significant research and animal tests, which are referred to as pre-clinical studies, as well as human tests, which are referred to as clinical trials. Satisfaction of the FDA's regulatory requirements typically takes many years, depends upon the type, complexity and novelty of the product candidate and requires substantial resources for research, development and testing. The FDA has substantial discretion in the drug approval process and may require us to conduct additional pre-clinical and clinical testing or to perform post-marketing studies. The approval process may also be delayed by changes in government regulation, future legislation or administrative action or changes in FDA policy that occur prior to or during our regulatory review. Delays in obtaining regulatory approvals may:

- delay commercialization of, and our ability to derive product revenues from, a drug candidate;
- impose costly procedures on us; and
- diminish any competitive advantages that we may otherwise enjoy.

Even if we comply with all FDA requests, the FDA may still ultimately reject an NDA. Failure to obtain FDA approval of a drug candidate will severely undermine our business development by reducing our ability to recover the development costs expended in connection with a drug candidate and realize any profit from commercializing a drug candidate.

In foreign jurisdictions, we will be required to obtain approval from the appropriate regulatory authorities before we can commercialize our drugs. Foreign regulatory approval processes generally include all of the risks associated with the FDA approval procedures described above.

Clinical trials are very expensive, time-consuming and difficult to design and implement.

Assuming we are able to acquire the rights to develop and commercialize a product candidate, we will be required to expend significant time, effort and money to conduct human clinical trials necessary to obtain regulatory approval of any product candidate. Human clinical trials are very expensive and difficult to design and implement, in part because they are subject to rigorous regulatory requirements. The clinical trial process is also time consuming. We estimate that clinical trials of any product candidate will take at least several years to complete. Furthermore, failure can occur at any stage of the trials, and we could encounter problems that cause us to abandon or repeat clinical trials. The commencement and completion of clinical trials may be delayed by several factors, including:

- unforeseen safety issues;
- determination of dosing issues;
- lack of effectiveness during clinical trials;
- slower than expected rates of patient recruitment;
- inability to monitor patients adequately during or after treatment; and
- inability or unwillingness of medical investigators to follow our clinical protocols.

In addition, we or the FDA may suspend our clinical trials at any time if it appears that we are exposing participants to unacceptable health risks or if the FDA finds deficiencies in our IND submissions or the conduct of these trials.

The results of any clinical trial may not support the results of pre-clinical studies relating to our product candidate, which may delay development of any product candidate or cause us to abandon development altogether.

Even if any clinical trials we undertake with respect to a future product candidate that we acquire are completed as planned, we cannot be certain that their results will support the findings of pre-clinical studies upon which a development plan would be based. Success in pre-clinical testing and early clinical trials does not ensure that later clinical trials will be successful, and we cannot be sure that the results of later clinical trials will replicate the results of prior clinical trials and pre-clinical testing. The clinical trial process may fail to demonstrate that our product candidates are safe for humans and effective for indicated uses. This failure may cause us to delay the development of a product candidate or even to abandon development altogether. Such failure may also cause delay in other product candidates. Any delay in, or termination of, our clinical trials will delay the filing of our NDAs with the FDA and, ultimately, our ability to commercialize our product candidates and generate product revenues.

If physicians and patients do not accept and use our drugs after regulatory approvals are obtained, we will not realize sufficient revenue from such product to cover our development costs.

Even if the FDA approved any product candidate that we acquired and subsequently developed, physicians and patients may not accept and use them. Acceptance and use of the product candidates we acquire (if any) will depend upon a number of factors including:

- perceptions by members of the health care community, including physicians, about the safety and effectiveness of our drugs;
- cost-effectiveness of our product relative to competing products;
- availability of reimbursement for our products from government or other healthcare payers; and
- effectiveness of marketing and distribution efforts by us and our licensees and distributors, if any.

Because our drug development business plan contemplates that substantially all of any future revenues we will realize will result from sales of product candidates that we develop, the failure of any of drugs we acquire and develop to find market acceptance would significantly and adversely affect our ability to generate cash flow and become profitable.

We intend to rely upon third-party researchers and other collaborators who will be outside our control and may not devote sufficient resources to our projects.

We intend to collaborate with third parties, such as drug investigators, researchers and manufacturers, in the development of any product candidate that we acquire. Such third parties, which might include universities and medical institutions, will likely conduct the necessary pre-clinical and clinical trials for a product candidate that we develop. Accordingly, our successful development of any product candidate will likely depend on the performance of these third parties. These collaborators will not be our employees, however, and we may be unable to control the amount or timing of resources that they will devote to our programs. For example, such collaborators may not assign as great a priority to our programs or pursue them as diligently as we would if we were undertaking such programs ourselves. If outside collaborators fail to devote sufficient time and resources to our drug-development programs, or if their performance is substandard, the approval of our FDA applications, if any, and our introduction of new drugs, if any, will be delayed. These collaborators may also have relationships with other commercial entities, some of whom may compete with us in the future. If our collaborators were to assist our competitors at our expense, the resulting adverse impact on our competitive position could delay the development of our drug candidates or expedite the development of a competitor's candidate.

We will rely exclusively on third parties to formulate and manufacture our product candidates.

We do not currently have, and have no current plans to develop, the capability to formulate or manufacture drugs. Rather, we intend to contract with one or more manufacturers to manufacture, supply, store and distribute drug supplies that will be needed for any clinical trials we undertake. If we received FDA approval for any product candidate, we would rely on one or more third-party contractors to manufacture our drugs. Our anticipated future reliance on a limited number of third-party manufacturers will expose us to the following risks:

- We may be unable to identify manufacturers on commercially reasonable terms or at all because the number of potential manufacturers is limited and the FDA must approve any replacement contractor. This approval would require new testing and compliance inspections. In addition, a new manufacturer would have to be educated in, or develop substantially equivalent processes for, production of our products after receipt of FDA approval, if any.

- Our third-party manufacturers might be unable to formulate and manufacture our drugs in the volume and of the quality required to meet our clinical needs and commercial needs, if any.

- Our future contract manufacturers may not perform as agreed or may not remain in the contract manufacturing business for the time required to supply our clinical trials or to successfully produce, store and distribute our products.

- Drug manufacturers are subject to ongoing periodic unannounced inspection by the FDA, the DEA, and corresponding state agencies to ensure strict compliance with good manufacturing practice and other government regulations and corresponding foreign standards. We do not have control over third-party manufacturers' compliance with these regulations and standards.

- If any third-party manufacturer makes improvements in the manufacturing process for our products, we may not own, or may have to share, the intellectual property rights to the innovation.

We may be unable to identify manufacturers on acceptable terms or at all because the number of potential manufacturers is limited and the FDA must approve any replacement contractor. This approval would require new testing and compliance inspections. In addition, a new manufacturer would have to be educated in, or develop substantially equivalent processes for, production of our products after receipt of FDA approval, if any.

If we are not able to successfully compete against other drug companies, our business will fail.

The market for new drugs is characterized by intense competition and rapid technological advances. If any drug candidate that we develop receives FDA approval, we will likely compete with a number of existing and future drugs and therapies developed, manufactured and marketed by others. Existing or future competing products may provide greater therapeutic convenience or clinical or other benefits for a specific indication than our products, or may offer comparable performance at a lower cost or with fewer side-effects. If our products fail to capture and maintain market share, we may not achieve sufficient product revenues and our business will suffer.

We will be competing against fully integrated pharmaceutical companies and smaller companies that are collaborating with larger pharmaceutical companies, academic institutions, government agencies and other public and private research organizations. Many of these competitors have drug candidates already approved or in development. In addition, many of these competitors, either alone or together with their collaborative partners, operate larger research and development programs and have substantially greater financial resources than we do, as well as significantly greater experience in:

- developing drugs;
- undertaking pre-clinical testing and human clinical trials;
- obtaining FDA and other regulatory approvals of drugs;
- formulating and manufacturing drugs; and
- launching, marketing and selling drugs.

Risks Related to Our Securities

Trading of our common stock is limited, which may make it difficult for you to sell your shares at times at prices that you feel are appropriate.

Trading of our common stock, which is conducted on the OTC Bulletin Board, has been limited. This adversely effects the liquidity of our common stock, not only in terms of the number of shares that can be bought and sold at a given price, but also through delays in the timing of transactions and reduction in security analysts' and the media's coverage of us. This may result in lower prices for our common stock than might otherwise be obtained and could also result in a larger spread between the bid and asked prices for our common stock.

Because it is a "penny stock," it will be more difficult for you to sell shares of our common stock.

In addition, our common stock is considered a "penny stock" under SEC rules because it has been trading on the OTC Bulletin Board at a price lower than $5.00. Broker-dealers who sell penny stocks must provide purchasers of these stocks with a standardized risk-disclosure document prepared by the SEC. This document provides information about penny stocks and the nature and level of risks involved in investing in the penny-stock market. A broker must also give a purchaser, orally or in writing, bid and offer quotations and information regarding broker and salesperson compensation, make a written determination that the penny stock is a suitable investment for the purchaser, and obtain the purchaser's written agreement to the purchase. Broker-dealers also must provide customers that hold penny stocks in their accounts with such broker-dealer a monthly statement containing price and market information relating to the penny stock. If a penny stock is sold to you in violation of the penny stock rules, you may be able to cancel your purchase and get your money back. The penny stock rules may make it difficult for you to sell your shares of our stock, however, and because of the rules, there is less trading in penny stocks. Also, many brokers simply choose not to participate in penny-stock transactions. Accordingly, you may not always be able to resell shares of our common stock publicly at times and prices that you feel are appropriate.

Our stock price is, and we expect it to remain, volatile, which could limit investors' ability to sell stock at a profit.

The volatile price of our stock makes it difficult for investors to predict the value of their investment, to sell shares at a profit at any given time, or to plan purchases and sales in advance. A variety of factors may affect the market price of our common stock. These include, but are not limited to:

- announcements of technological innovations or new commercial products by our competitors or us;
- developments concerning proprietary rights, including patents;

- regulatory developments in the United States and foreign countries;
- economic or other crises and other external factors;
- period-to-period fluctuations in our revenues and other results of operations;
- changes in financial estimates by securities analysts; and
- sales of our common stock.

We will not be able to control many of these factors, and we believe that period-to-period comparisons of our financial results will not necessarily be indicative of our future performance.

In addition, the stock market in general, and the market for biotechnology companies in particular, has experienced extreme price and volume fluctuations that may have been unrelated or disproportionate to the operating performance of individual companies. These broad market and industry factors may seriously harm the market price of our common stock, regardless of our operating performance.

Because we do not expect to pay dividends, you will not realize any income from an investment in our common stock unless and until you sell your shares at profit.

We have never paid dividends on our common stock and do not anticipate paying any dividends for the foreseeable future. You should not rely on an investment in our stock if you require dividend income. Further, you will only realize income on an investment in our shares in the event you sell or otherwise dispose of your shares at a price higher than the price you paid for your shares. Such a gain would result only from an increase in the market price of our common stock, which is uncertain and unpredictable.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this prospectus that are forward-looking in nature are based on the current beliefs of our management as well as assumptions made by and information currently available to management, including statements related to the markets for our products, general trends in our operations or financial results, plans, expectations, estimates and beliefs. In addition, when used in this prospectus, the words “may,” “could,” “should,” “anticipate,” “believe,” “estimate,” “expect,” “intend,” “plan,” “predict” and similar expressions and their variants, as they to us or our management, may identify forward-looking statements. These statements reflect our judgment as of the date of this prospectus with respect to future events, the outcome of which are subject to risks, which may have a significant impact on our business, operating results or financial condition. You are cautioned that these forward-looking statements are inherently uncertain. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results or outcomes may vary materially from those described herein. We undertake no obligation to update forward-looking statements. The risks identified under the heading “Risk Factors” in this prospectus, among others, may impact forward-looking statements contained in this prospectus.

USE OF PROCEEDS

We will not receive any proceeds from the resale of any of the shares offered by this prospectus by the selling stockholders.

SELLING STOCKHOLDERS

The following table sets forth the number of shares of the common stock owned by the selling stockholders as of July 31, 2008, and after giving effect to this offering. The percentage indicated for each selling stockholder in the column entitled “percentage beneficial ownership after the offering” assumes the sale of all the shares offered by this prospectus.

Shares Issued Pursuant to Private Placement of Series A Convertible Preferred Stock

		Number of Shares of Common Stock Issuable Upon:		Of the Shares Issuable the Following Shares are Registered in This Prospectus:		
Selling Stockholder	Shares Beneficially Owned Before Offering	Conversion of Series A Convertible Preferred Stock	Exercise of Warrants	Shares Issuable Upon Conversion of Series A Convertible Preferred Stock	Shares Issuable Upon Exercise of Warrants	Percentage Beneficial Ownership After Offering
AB Capital, L.P. [(a)]	150,000	100,000	50,000	14,285	7,142	-
Adams Market Neutral, LLLP[(b)]	75,000	50,000	25,000	7,142	3,571	