

IT&E INTERNATIONAL GROUP  
Form PRE 14C  
August 17, 2006

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## SCHEDULE 14C

(RULE 14C-101)

### SCHEDULE 14C INFORMATION

Information Statement Pursuant to Section 14(c)  
of the Securities Exchange Act of 1934 (Amendment No. )

Check the appropriate box:

- Preliminary Information Statement  
 Confidential, for Use of the Commission Only (as permitted by Rule 14c-5(d)(2))  
 Definitive Information Statement

IT&E INTERNATIONAL GROUP, INC.  
(Name of Registrant As Specified In Its Charter)

Payment of Filing Fee (Check the appropriate box):

- No fee required  
 Fee computed on table below per Exchange Act Rules 14c-5(g) and 0-11
- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- (4) Proposed maximum aggregate value of transaction:
- (5) Total fee paid:
- Fee paid previously with preliminary materials.  
 Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
- (1) Amount Previously Paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:
- (4) Date Filed:



**IT&E International Group, Inc.  
4 California Avenue,  
Framingham, Massachusetts 01701**

INFORMATION STATEMENT

**NOTICE OF ACTION TAKEN BY  
WRITTEN CONSENT OF MAJORITY STOCKHOLDERS**

**General**

IT&E International Group, Inc. (the **Company**, **we**, **our**, **us** or **IT&E** ) is providing this Information Statement (the **Information Statement**) to you to inform you that stockholders holding a majority in interest of our voting stock have adopted resolutions by written consent that:

**Action No. 1:** Adopt and approve an amendment to our certificate of incorporation to effect a change of our corporate name from IT&E International Group, Inc. to Averion International Corp. ; and

**Action No. 2:** Approve an amendment to our 2005 Equity Incentive Plan (the **Plan** ) to increase the number of shares of common stock available for issuance under the Plan from 50,000,000 to 100,000,000.

We have established the close of business on August 14, 2006 as the record date ( **Record Date** ) related to the foregoing. Therefore, we are mailing this Information Statement to our stockholders of record as of the close of business on August 14, 2006. We intend to mail this Information Statement to our security holders no later than August 28, 2006.

This Information Statement is being mailed to you for information purposes only. No action is requested or required on your part.

**WE ARE NOT ASKING YOU FOR A PROXY  
AND YOU ARE REQUESTED NOT TO SEND US A PROXY.**

**Stockholders Entitled to Vote**

Holders of shares of our common stock, our Series D Convertible Preferred Stock ( **Series D Preferred** ) and our Series E Convertible Preferred Stock ( **Series E Preferred** ) at the close of business on the Record Date were entitled to vote on the actions set forth above. On the Record Date, we had approximately 105,694,429 shares of common stock issued and outstanding, 16,500 shares of Series D Preferred issued and outstanding, convertible into 235,714,215 shares of our common stock and 8,300 shares of Series E Preferred issued and outstanding, convertible into 75,454,553 shares of our common stock. Each stockholder holding shares of common stock was entitled to one vote for each such share of common stock held by such stockholder. Each stockholder holding shares of Series D Preferred was entitled to one vote for each share of common stock into which such shares of Series D Preferred was then convertible. Each stockholder holding shares of Series E Preferred was entitled to one vote for each share of common stock into which such shares of Series E Preferred was then convertible.

**Results of the Vote**

On the Record Date, holders of a majority of our outstanding common stock, Series D Preferred and Series E Preferred, voting together as a single class, executed a written consent in favor of the actions described above. Each of the foregoing actions was approved by 312,636,213 shares, or 75% of all shares entitled to vote thereon. This consent satisfies the stockholder approval requirement for the proposed actions.

**Information Statement**

No action is required by you. As set forth above, we sought and have obtained the required stockholder approval. The accompanying Information Statement is furnished only to inform you of the corporate actions described above before they take effect in accordance with Rule 14c-2 promulgated under the Securities Exchange Act of 1934, as amended (the **Exchange Act** ). Pursuant to Rule 14c-2, the foregoing actions will not take effect until a date that is at least twenty (20) days after the date on which this Information Statement has been mailed to you. No other stockholder approval is required.

August , 2006

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**BACKGROUND INFORMATION**

On July 31, 2006, through our wholly-owned subsidiaries IT&E Merger Sub, Inc., a Massachusetts corporation ( **Merger Sub** ), and IT&E Acquisition Co., Inc., a Delaware corporation ( **Acquisition Sub** ), we consummated a merger with Averion Inc. ( **Averion** ) pursuant to the terms of an Agreement and Plan of Merger dated June 30, 2006, by and among us, Merger Sub and Acquisition Sub, on the one hand, and Averion and Averion's shareholder (the **Averion Shareholders** ), on the other hand. At the closing, Merger Sub merged with and into Averion (the **Reverse Merger** ). As a result of the Reverse Merger, Averion was the surviving corporation and became our wholly-owned subsidiary. Immediately following the closing of the Reverse Merger, a forward merger occurred whereby Averion was merged with and into Acquisition Sub (the **Forward Merger** , together with the Reverse Merger, constitute the **Averion Merger** ).

At the closing of the Averion Merger, we purchased all of the outstanding capital stock of Averion. In exchange for all such outstanding capital stock of Averion, the Averion Shareholders received from us, in the aggregate: (i) five million six hundred fifty thousand dollars (\$5,650,000) in cash; (ii) two year promissory notes in the aggregate principal amount of seven hundred thousand dollars (\$700,000); (iii) five year promissory notes in the aggregate principal amount of five million seven hundred thousand dollars (\$5,700,000); (iv) forty five million two hundred forty five thousand four hundred fifty five (45,245,455) shares of our common stock; and (v) eight thousand three hundred (8,300) shares of our Series E Preferred, stated value \$1,000 per share.

**ACTION NO. 1:**

**APPROVE AMENDMENT TO CERTIFICATE OF INCORPORATION TO CHANGE CORPORATE NAME FROM IT&E INTERNATIONAL GROUP, INC. TO AVERION INTERNATIONAL CORP.**

**Introduction**

On August 3, 2006, in connection with the completion of the Averion Merger, our board of directors (the **Board**) unanimously adopted a resolution declaring it advisable to amend our certificate of incorporation to change our corporate name from IT&E International Group, Inc. to Averion International Corp. Our Board further directed that this amendment to our certificate of incorporation be submitted for consideration and approval by our stockholders. On August 14, 2006, the holders of the requisite amount of our voting stock approved an amendment to our certificate of incorporation to change our corporate name from IT&E International Group, Inc. to Averion International Corp. A copy of the amendment to our certificate of incorporation is attached to this Information Statement as Appendix A.

**Effectiveness Time of the Name Change**

We intend to file, as soon as practicable on or after the twentieth (20<sup>th</sup>) day after this Information Statement is first mailed to our stockholders an amendment to our certificate of incorporation effecting our name change with the Secretary of State of the State of Delaware. This amendment to our certificate of incorporation will become effective at the time the same is accepted for filing by the Secretary of State of the State of Delaware. It is presently contemplated that such filing will take place on or around September 18, 2006.

**Reasons for the Name Change**

Our Board has determined that the name change is in our best interests and those of our stockholders. In light of the Averion Merger and the acquisition of Averion as our operating subsidiary, the name Averion International Corp. more accurately reflects the combined entity's operations and business interests.

**ACTION NO. 2:**

**APPROVE AMENDMENT TO COMPANY S 2005 EQUITY INVENTIVE PLAN**

Our Board has adopted, and our stockholders have approved, an amendment to our 2005 Equity Incentive Plan (the **Plan**), under which employees, consultants and directors may receive grants of stock options, restricted stock awards and stock bonuses (collectively, **Stock Awards**) to increase the maximum number of shares that have been reserved for issuance under the Plan from 50,000,000 to 100,000,000. The principal features of the Plan are summarized below. Such summary is qualified in its entirety by reference to the full text of the Plan, a copy of which is attached as **Appendix B** to this Information Statement.

**Terms and Conditions of the Plan**

We believe that our ability to award incentive compensation based on equity in our Company is critical to our success in remaining competitive and attracting, motivating and retaining key personnel. The efforts and skill of our employees and other personnel who provide services to us generate much of the growth and success of our business. We believe that a broad-based equity incentive program will help us to be highly successful in motivating and rewarding the efforts of our employees and other valuable personnel. By giving our employees, consultants and directors an opportunity to share in the growth of our equity, we will be aligning their interests with those of our stockholders. Our employees, consultants and directors understand that their stake in our Company will have value only if, working together, we create value for our stockholders. We anticipate that awards under our Plan will generally vest over a period of four years with 25% vesting on the first anniversary of the grant date and the remainder of the options vesting in equal monthly installments over the remaining three years, giving the recipient an additional incentive to provide services over a number of years and build on past performance. However, individual vesting schedules will be determined at the discretion of our Board. We believe that the Plan will continue to help us to build a team of high achievers who have demonstrated long-term dedication and productivity and who, in turn, help us to attract like-minded individuals to our Company.

The Plan allows for the grant of stock options, restricted stock awards and stock bonuses (collectively, the **Stock Awards**). Subject to the terms of the Plan, the Board will determine the terms and conditions of the Stock Awards, including the times when Stock Awards vest or become payable and the effect of certain events such as termination of employment. Each grant of a Stock Award will be evidenced by an award agreement.

*Number of Shares*

Under the Plan, as amended, 100,000,000 shares of our common stock are reserved for issuance as Stock Awards. Any shares that are represented by Stock Awards under the Plan that expire or otherwise terminate without being exercised in full will again be available for Stock Awards under the Plan. As of August 14, 2006, we had granted options to purchase 23,337,331 shares of our common stock. Therefore, prior to the amendment we had 26,662,669 shares remaining available under the Plan. As amended we have 76,662,669 shares available for issuance under the Plan.

The Plan imposes the following additional maximum limitations:

- The number of shares of common stock issuable upon exercise of all outstanding Stock Awards, together with the total number of shares of common stock provided for under any other stock bonus or similar plan, may not exceed the applicable limitations set forth in Title 10 of the California Code of Regulations.
- The aggregate fair market value (determined at the time of grant) of common stock with respect to which incentive stock options are exercisable for the first time by any participant during any calendar year under all our equity compensation plans and those of our affiliates (including the Plan) may not exceed \$100,000.
- The number of shares reserved for issuance under the Plan are subject to adjustment to reflect certain potential subsequent changes to our capital structure, such as stock splits, stock dividends and recapitalizations.



*Administration*

The Plan will be administered by our Board, unless the Board decides to delegate administration of the Plan to a committee of the Board. Any such delegation may be made only to the extent permitted by our bylaws and applicable laws and regulations. The Board will have full power to administer the Plan and the decisions of the Board will be final and binding upon all participants.

*Eligibility*

The selection of the participants in the Plan will generally be determined by our Board. Employees, including those who are our officers, or directors or officers or directors of our subsidiaries and affiliates, are eligible to be selected to receive Stock Awards under the Plan. In addition, non-employee service providers, including directors, and employees of unaffiliated entities that provide bona fide services to us as a consultant are eligible to be selected to receive Stock Awards under the Plan. Members of the Board are eligible for and are expected to receive grants of Stock Awards under the Plan for their services as directors.

*Types of Awards*

Stock Options. The Board may grant either incentive stock options intended to qualify as such under Section 422 of the Internal Revenue Code (the **Code** ), or options not intended to so qualify ( nonstatutory options ). All incentive stock options granted under the Plan must generally have an exercise price that is at least equal to the fair market value of our underlying common stock on the grant date. All nonstatutory options granted under the Plan must generally have an exercise price that is at least equal to eighty five percent (85%) of the fair market value of our underlying common stock on the grant date. The closing price per share of our common stock as of August 9, 2006, as reported on the OTC Bulletin Board, was \$0.155. No stock option granted under the Plan may have a term longer than ten (10) years. All or part of any option award may be subject to conditions and restrictions, which the Board will specify. The exercise price of stock options may be paid, to the extent permitted by applicable laws and regulations, (i) in cash; (ii) by tendering shares of our common stock that have been held by the optionee for at least six (6) months; (iii) or, pursuant to a cashless exercise program developed under Regulation T promulgated by the Federal Reserve Board.

Restricted Stock Awards. The Board may grant awards of restricted common stock for a purchase price of not less than eighty five percent (85%) of the fair market value of our common stock on the date such award is made or at the time the purchase is consummated. All or part of any restricted stock award may be subject to conditions and restrictions, which the Board will specify.

Stock Bonus Awards. The Board may grant stock bonus awards, which are awards of our common stock in consideration for past services actually rendered to us or a parent or subsidiary. All or part of any stock bonus award may be subject to conditions and restrictions, which the Board will specify.

*Change of Control*

The Board may determine, in its discretion, whether a Stock Award issued under the Plan will become vested or exercisable, either in whole or in part, upon a change in control (as defined in the Plan). Any rights which a participant may have upon a change in control will be set forth in the applicable award agreement.

*Transferability of Awards*

Stock Awards granted under the Plan are not transferable, other than by will or pursuant to state intestate laws, unless the Board otherwise approves a transfer.

*Amendment; Term and Termination*

The Board may alter or amend the Plan or any Stock Award in any manner at any time. However, no amendment to the Plan will be effective unless approved by our stockholders, to the extent such approval is necessary to satisfy the requirements of Section 422 of the Code. The Board may suspend or terminate the Plan at any time. Unless sooner terminated, the Plan will terminate on the day before the tenth (10th)

anniversary of the date the Plan is adopted by the Board or approved by our stockholders, whichever is earlier.

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## **Federal Income Tax Consequences**

The following summary is intended only as a general guide to the United States federal income tax consequences under current law of incentive stock options and nonstatutory stock options, which are authorized for grant under the Plan. It does not attempt to describe all possible federal or other tax consequences of participation in the Plan, tax consequences of all of the types of Stock Awards which may be granted under the Plan, or tax consequences based on particular circumstances. The tax consequences may vary if options are granted outside the United States.

### *Incentive Stock Options*

An option holder recognizes no taxable income for regular income tax purposes as a result of the grant or exercise of an incentive stock option qualifying under Section 422 of the Code. Option holders who dispose of the shares acquired under an incentive stock option after two years following the date the option was granted and after one year following the exercise of the option will normally recognize a capital gain or loss upon a sale of the shares equal to the difference, if any, between the sale price and the purchase price of the shares. If an option holder satisfies such holding periods upon a sale of the shares, we will not be entitled to any deduction for federal income tax purposes. If an option holder disposes of shares within two years after the date of grant or within one year after the date of exercise (a disqualifying disposition), the difference between the fair market value of the shares on the exercise date and the option exercise price (not to exceed the gain realized on the sale if the disposition is a transaction with respect to which a loss, if sustained, would be recognized) will be taxed as ordinary income at the time of disposition. Any gain in excess of that amount will be a capital gain. If a loss is recognized, there will be no ordinary income, and such loss will be a capital loss. Any ordinary income recognized by the option holder upon the disqualifying disposition of the shares generally will result in a deduction by us for federal income tax purposes.

### *Nonstatutory Stock Options*

Options not designated or qualifying as incentive stock options will be non-qualified stock options having no special tax status. An optionee generally recognizes no taxable income as the result of the grant of such an option. Upon exercise of a non-qualified stock option, the optionee normally recognizes ordinary income in the amount of the difference between the option exercise price and the fair market value of the shares on the exercise date. If the optionee is an employee, such ordinary income generally is subject to withholding of income and employment taxes. Upon the sale of stock acquired by the exercise of a non-qualified stock option, any gain or loss, based on the difference between the sale price and the fair market value on the exercise date, will be taxed as a capital gain or loss. No tax deduction is available to us with respect to the grant of a non-qualified stock option or the sale of the stock acquired pursuant to such grant. We generally should be entitled to a deduction equal to the amount of ordinary income recognized by the optionee as a result of the exercise of a non-qualified stock option.

### *Other Considerations*

The Code allows publicly-held corporations to deduct compensation in excess of \$1,000,000 paid to the corporation's chief executive officer and its four other most highly compensated executive officers in office at the end of the tax year if the compensation is payable solely based on the attainment of one or more performance goals and certain statutory requirements are satisfied. We intend for compensation arising from grants of Stock Awards under the Plan which are based on performance goals to be deductible by us as performance-based compensation not subject to the \$1,000,000 limitation on deductibility.

## **New Plan Benefits**

Options granted under the Plan, as amended, will be granted at the discretion of the Board, and are not yet determinable. Benefits under the Plan will depend on a number of factors, including the fair market value of our common stock on future dates, and our actual performance against performance goals established with respect to performance awards, if any.

**EQUITY COMPENSATION PLAN INFORMATION**

The following table sets forth information regarding outstanding options and shares reserved for future issuance under our equity compensation plans as of December 31, 2005.

<b>Plan Category</b>	<b>Number of Shares to be Issued Upon Exercise of Outstanding Options (a)</b>	<b>Weighted Average Exercise Price of Outstanding Options (b)</b>	<b>Number of Shares Remaining Available for Future Issuance under Equity Compensation Plans (excluding securities reflected in column (a)) (c)</b>
Equity compensation plans approved by stockholders	17,378,626	\$ 0.18	7,621,374
Equity compensation plans not approved by stockholders			
<b>Total</b>	<b>17,378,628</b>	<b>\$ 0.18</b>	<b>7,621,374</b>

**EXECUTIVE COMPENSATION****Compensation of Directors**

On June 21, 2006 our Board adopted a director compensation plan to be considered effective January 1, 2006. Pursuant to the director compensation plan, our directors who are not full-time employees are entitled to receive a fee of \$2,200 per meeting, including committee meetings and special meetings, that they attend. Our directors are also entitled to \$1,000 for each travel day or part of a day used to travel to attend a meeting which is more than 200 miles from such director's home, plus reasonable out of pocket expenses incurred in connection with the fulfillment of their duties as directors. A director is entitled to receive \$500 for any meeting, including committee meetings and special meetings, that he or she attends via telephone. In addition, beginning in June 2006, non-employee directors received an annual option to purchase 1,000,000 shares of our common stock at a price per share equal to the fair market value of our common stock on the date of grant. Further, beginning June 1, 2006, each chair of the Board and each of our committee's received an annual option to purchase 500,000 shares of our common stock at a price per share equal to the fair market value of our common stock on the date of grant.

**Compensation of Executive Officers**

The following table sets forth the total compensation for our Chief Executive Officer and each of our other current executive officers as of December 31, 2005 for services rendered during such period and each of the two (2) prior fiscal years and whose salaries plus bonus for 2005 exceeded \$100,000. We refer to these executives collectively as the Named Executive Officers.

**Summary Compensation Table**

Name & Principal Position	Year	Annual Compensation		Other
		Salary	Bonus	
Peter R. Solenne (1) Chief Executive Officer and Director	2005	\$ 244,628	\$ 115,724	
	2004	\$ 175,000		
	2003			
Kelly Alberts President, Chief Operating Officer and Director	2005	\$ 201,865	\$ 100,510	\$ 84,802 (4)
	2004	\$ 144,615		
	2003	\$ 167,500		
Anthony Allocca Vice President Operations	2005	\$ 152,210	\$ 64,439	
	2004	\$ 132,500		
	2003	\$ 132,500		
David Vandertie (2) Chief Financial Officer	2005	\$ 151,385	\$ 35,095	
	2004	\$ 6,250		
	2003			
Gene Resnick (3) Senior Vice President and President of the Millennix Division	2005	\$ 30,463		
	2004			
	2003			

(1) Mr. Solenne resigned as our Chief Executive Officer in April 2006. Alastair McEwan was appointed interim Chief Executive Officer in May 2006. In connection with the closing of the Averion Merger, on July 31, 2006 Mr. McEwan resigned as our Chief Executive Officer and Dr. Philip T. Lavin was appointed as our Chief Executive Officer.

(2) Mr. Vandertie became our Chief Financial Officer in January 2005 and resigned as our Chief Financial Officer in April 2006. Michael Jeub was appointed as our Chief Financial Officer in April 2006.

(3) Dr. Resnick became our Senior Vice President and President of the Millennix Division in November 2005.

(4) Consists of certain tuition and education-related expenses.

**Option Grants in the Last Fiscal Year**

The following table provides information concerning individual option grants of stock options made during fiscal 2005 to the Named Executive Officers. The exercise prices in each case equal the last reported sales price per share of our common stock as reported by the Over-the-Counter Bulletin Board on the date of grant. The percentage of total options granted to our employees in the last fiscal year is based on options to purchase an aggregate of 17,475,473 shares of common stock granted under our the Plan to our employees in fiscal 2005. A total of 9,975,473 shares of common stock remained available for grant under the Plan at December 31, 2005.

Name	Number of Shares of Common Stock Underlying Options Granted (#)	Percent of Total Options Granted to Employees in Last Fiscal Year	Exercise Price (\$/sh)	Expiration Date
Kelly Alberts	81,250	0.46	% \$ 0.25	4/29/2015
Kelly Alberts	225,000	1.29	% \$ 0.19	9/26/2015
Kelly Alberts	2,500,000	14.31	% \$ 0.17	11/9/2015
Anthony Allocca	65,000	0.37	% \$ 0.25	4/29/2015
Anthony Allocca	100,000	0.57	% \$ 0.19	9/26/2015
Anthony Allocca	1,250,000	7.15	% \$ 0.17	11/9/2015
Gene Resnick, M.D.	1,000,000	5.72	% \$ 0.17	11/9/2015
Peter Sollenne	687,500	3.93	% \$ 0.25	4/29/2015
Peter Sollenne	600,000	3.43	% \$ 0.19	9/26/2015
Peter Sollenne	1,285,000	7.35	% \$ 0.19	11/1/2015
Peter Sollenne	2,500,000	14.31	% \$ 0.17	11/9/2015
David Vandertie	500,000	2.87	% \$ 0.25	4/29/2015
David Vandertie	250,000	1.43	% \$ 0.19	9/26/2015
David Vandertie	800,000	4.58	% \$ 0.17	11/9/2015

**Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values**

The following table sets forth the number of shares of our common stock subject to exercisable and unexercisable stock options that the Named Executive Officers held at December 31, 2005. The Named Executive Officers did not exercise any options in fiscal 2005.

Name	Number of Securities Underlying Unexercised Options at Fiscal Year End		Value of Unexercised In-The-Money Options at Fiscal Year End	
	Exercisable	Unexercisable	Exercisable	Unexercisable
Kelly Alberts	13,021	2,793,229	\$	\$
Anthony Allocca	10,417	1,404,583	\$	\$
Gene Resnick, M.D.	0	1,000,000	\$	\$
Peter Sollenne	1,481,181	3,591,319	\$	\$
David Vandertie	0	1,550,000	\$	\$

## Employment Agreements

### Dr. Philip T. Lavin

On July 31, 2006, we entered into an Employment Agreement with Dr. Philip T. Lavin (the **Lavin Agreement**). The Lavin Agreement is for a term of five (5) years and provides that Dr. Lavin shall be paid an annual base salary of \$300,000. In addition, Dr. Lavin is eligible to receive an annual bonus as determined by our Board. If Dr. Lavin is terminated without cause or resigns for good reason as those terms are defined in the Lavin Agreement, then we are obligated to pay an amount equal to two (2) years of Dr. Lavin's then in effect base salary.

### Mr. Alberts

On November 9, 2005, we entered into an Employment Agreement with Kelly Alberts (the **Alberts Agreement**). The Alberts Agreement is for a term of two (2) years and provides that Mr. Alberts shall be paid an annual base salary of \$259,000. In addition, Mr. Alberts is eligible to receive an annual bonus as determined by our Board. If Mr. Alberts is terminated without cause or resigns for good reason as those terms are defined in the Alberts Agreement, then we are obligated to pay Mr. Alberts an amount equal to the greater of twelve (12) months annual base salary or the amount of base salary Mr. Alberts would have been paid from the date of termination until the end of the employment term. In addition, in connection with entering into the Alberts Agreement, we granted Mr. Alberts an option to purchase 2,500,000 shares of our common stock at an exercise price of \$0.17 per share with the shares subject to the option vesting at a rate of twenty five percent (25%) on the first anniversary of the grant date and the remainder of the shares subject to the option vesting in equal monthly installments over the next thirty six (36) months.

### Mr. Allocca

On November 9, 2005, we entered into an Employment Agreement with Anthony Allocca (the **Allocca Agreement**). The Allocca Agreement is for a term of two (2) years and provides that Mr. Allocca shall be paid an annual base salary of \$175,000. In addition, Mr. Allocca is eligible to receive an annual bonus as determined by our Board. If Mr. Allocca is terminated without cause or resigns for good reason as those terms are defined in the Allocca Agreement, then we are obligated to pay Mr. Allocca an amount equal to the greater of twelve (12) months annual base salary or the amount of base salary Mr. Allocca would have been paid from the date of termination until the end of the employment term. In addition, in connection with entering into the Allocca Agreement, we granted Mr. Allocca an option to purchase 1,250,000 shares of our common stock at an exercise price of \$0.17 per share with the shares subject to the option vesting at a rate of twenty five percent (25%) on the first anniversary of the grant date and the remainder of the shares subject to the option vesting in equal monthly installments over the next thirty six (36) months.

### Dr. Resnick

On November 9, 2005, we entered into an Employment Agreement with Dr. Gene Resnick (the **Resnick Agreement**). The Resnick Agreement is for a term of two (2) years and provides that Dr. Resnick shall be paid an annual base salary of \$240,000. In addition, Dr. Resnick is eligible to receive an annual bonus as determined by our Board. If Dr. Resnick is terminated without cause or resigns for good reason as those terms are defined in the Resnick Agreement, then we are obligated to pay Dr. Resnick an amount equal to the greater of twelve (12) months annual base salary or the amount of base salary Dr. Resnick would have been paid from the date of termination until the end of the employment term. In addition, in connection with entering into the Resnick Agreement, we granted Dr. Resnick an option to purchase 1,000,000 shares of our common stock at an exercise price of \$0.17 per share with the shares subject to the option vesting at a rate of twenty five percent (25%) on the first anniversary of the grant date and the remainder of the shares subject to the option vesting in equal monthly installments over the next thirty six (36) months.

## Severance Agreement

### Dave Vandertie

On April 5, 2005, Dave Vandertie resigned as our Chief Financial Officer. In connection with his resignation, we entered into a severance agreement with Mr. Vandertie (the **Vandertie Severance Agreement**). Pursuant to the Vandertie Severance Agreement, for the six (6) months following Mr. Vandertie's resignation, Mr. Vandertie will continue to be paid his base salary of \$184,000 pursuant to our normal payroll policies, and we will continue to pay his health insurance premiums. In addition, Mr. Vandertie will continue to provide one (1) day a week of services to us for the three (3) months following his resignation.

### Peter Solenne

On April 28, 2006, Peter Solenne resigned as our Chief Executive Officer and as a director of our Board. In connection with his resignation, we entered into a severance agreement with Mr. Solenne (the **Sollenne Severance Agreement**). Pursuant to the Solenne Severance Agreement, for the twenty-six (26) weeks following Mr. Solenne's resignation, Mr. Solenne will continue to be paid his base salary of \$4,980.76 per week pursuant to our normal payroll policies, and, for the fifty-two (52) weeks following Mr. Solenne's resignation, we will continue to pay his health insurance premiums. In addition, for the twenty-six (26) weeks following Mr. Solenne's resignation, Mr. Solenne will provide up to ten (10) hours a week for the first thirteen (13) weeks following his resignation and up to five (5) hours a week for the second thirteen (13) weeks following his resignation, of consulting services to us.



**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

As of the August 1, 2006, we had a total of 105,694,429 shares of common stock issued and outstanding. The following table sets forth, as of August 1, 2006, the stock ownership of each of our executive officers and directors, of all executive officers and directors as a group, and of each person known by us to be a beneficial owner of 5% or more of our common stock. Unless otherwise noted, each person listed below is the sole beneficial owner of the shares and has sole investment and voting power as such shares.

<b>Title of Class</b>	<b>Name and address of Beneficial Owner(1)</b>	<b>Shares Beneficially Owned(2)</b>	<b>Percentage Beneficially Owned</b>
<b>Executive Officers and Directors:</b>			
Common	Kelly Alberts, President, Chief Operating Officer and Director	21,323,889	(3) 20.2 %
Common	Gene Resnick, Senior Vice President	10,416,667	9.9 %
Common	Michael Falk, Chairman, Director	320,714,171	(4) 75.2 %
Preferred		15,050	(5) 60.7 %
Common	Cecilio Rodriguez, Director		
Common	Robert D. Tucker, Director		
Common	Alastair McEwan, Director	1,500,000	(6) *
Common	Fred Sancilio, Director	3,571,428	