

30-July-08

Unregistered Sale of Equity Securities

On July 30, 2008, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") with Vicis Capital Master Fund, a sub-trust of Vicis Capital Series Master Trust, a unit trust organized and existing under the laws of the Cayman Islands ("Vicis"), one of the Company's largest stockholders. In connection with the Purchase Agreement, the Company entered into a side letter agreement (the "Side Letter") with Vicis and Midtown Partners & Co. LLC, a Florida limited liability company ("Midtown") with respect to the issuance of the Vicis Warrants and Broker Dealer Warrant (as defined below).

Pursuant to the Purchase Agreement, Vicis purchased 300,000 shares of Series D Convertible Preferred Stock of the Company, par value \$0.0001 per share ("Series D Preferred Stock"), convertible into 30,000,000 shares of common stock of the Company, par value \$0.0001 per share ("Common Stock") for a cash purchase price of \$3,000,000 and Vicis tendered, delivered and forgave certain Existing Debts (as defined in the Purchase Agreement) to the Company, in exchange for 498,906 shares of Series D Preferred Stock, convertible into 49,890,600 shares of Common Stock.

Pursuant to the terms of the Purchase Agreement, in consideration of Vicis' purchase of Series D Preferred Stock and the tendering, delivering and forgiving of the Existing Debts, the Company agreed with the Purchaser to issue, upon the filing and effectiveness of an amendment to the Company's Amended and Restated Articles of Incorporation, as amended, with the Nevada Secretary of State to, among other things, increase the number of authorized but unissued shares of Common Stock from 200,000,000 to 2,175,000,000 shares (such amendment, the "Charter Amendment"), a common stock purchase warrant exercisable for 90,000,000 shares of Common Stock, with an exercise price equal to \$0.10 and a term of exercise of five (5) years, and a common stock purchase warrant exercisable for 149,671,846 shares of Common Stock, with an exercise price equal to \$0.10 and a term of exercise of five (5) years (such warrants, the "Vicis Warrants"). In addition, pursuant to the Side Letter and a certain Placement Agent Agreement dated June 19, 2008 by and between the Company and Midtown, upon the effectiveness of the Charter Amendment, the Company will issue to Midtown a common stock purchase warrant exercisable for 2,400,000 shares of Common Stock, with an exercise price equal to \$0.10 and a term of exercise of three (3) years, and a common stock purchase warrant for 7,200,000 shares of Common Stock, with an exercise price equal to \$0.10 and a term of exercise of five (5) years (such warrants, the "Broker Dealer Warrants").

The Purchase Agreement and Side Letter are filed as Exhibits 10.2 and 10.3 to this Current Report on Form 8-K and incorporated herein by reference in their entirety.

Forward-Looking Statements

This Current Report on Form 8-K contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical facts included in this report are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance, achievements or transactions of the Company and the other parties described herein to be materially different from any future results, performance, achievements or transactions expressed or implied by such forward-looking statements. Such risks, uncertainties and other factors which, could impact the Company and the forward-looking statements contained herein are included in the Company's periodic reports and other filings filed with the SEC. The Company assumes no obligation to update or supplement forward-looking statements that become untrue because of subsequent events.
