SENESCO TECHNOLOGIES INC
Form 10-Q
May 15, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2008

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File No. 001-31326

SENESCO TECHNOLOGIES, INC.

(exact name of registrant as specified in its charter)

Delaware	**84-1368850**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

303 George Street, Suite 420
New Brunswick, New Jersey 08901
(Address of principal executive offices)

(732) 296-8400
(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes: x No: o

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, 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 x Smaller reporting company o
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes: o No: x

As of April 30, 2008, 18,283,870 shares of the issuer s common stock, par value $0.01 per share, were outstanding.

SENESCO TECHNOLOGIES, INC. AND SUBSIDIARY

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PART I. FINANCIAL INFORMATION.

Item 1. **Financial Statements.**

Certain information and footnote disclosures required under United States generally accepted accounting principles have been condensed or omitted from the following consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission. However, Senesco Technologies, Inc., a Delaware corporation, and its wholly owned subsidiary, Senesco, Inc., a New Jersey corporation (collectively, Senesco or the Company), believe that the disclosures are adequate to assure that the information presented is not misleading in any material respect.

The results of operations for the interim periods presented herein are not necessarily indicative of the results to be expected for the entire fiscal year.

SENESCO TECHNOLOGIES, INC. AND SUBSIDIARY

(A DEVELOPMENT STAGE COMPANY)

CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2008 (unaudited)	June 30, 2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 4,049,233	$ 408,061
Short-term investments	500,000	250,000
Prepaid expenses and other current assets	57,695	104,526
Total Current Assets	4,606,928	762,587
Property and equipment, net	6,880	7,526
Intangibles, net	3,032,449	2,544,447
Deferred financing costs	729,029	
Security deposit	7,187	7,187
TOTAL ASSETS	$ 8,382,473	$ 3,321,747
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 168,525	$ 109,258
Accrued expenses	509,619	377,359
Deferred revenue		16,667
Total Current Liabilities	678,144	503,284
Convertible note, net of discount	819,525	
Grant payable	99,728	99,728
Other liability	24,595	29,196
TOTAL LIABILITIES	1,621,992	632,208
STOCKHOLDERS EQUITY:		
Preferred stock, $0.01 par value; authorized 5,000,000 shares, no shares issued		
Common stock, $0.01 par value; authorized 100,000,000 shares, issued and outstanding 17,728,314 and 17,473,694, respectively	177,283	174,737
Capital in excess of par	35,925,622	28,136,342
Deficit accumulated during the development stage	(29,342,424)	(25,621,540)
TOTAL STOCKHOLDERS EQUITY	6,760,481	2,689,539
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 8,382,473	$ 3,321,747

See Notes to Condensed Consolidated Financial Statements.

SENESCO TECHNOLOGIES, INC. AND SUBSIDIARY

(A DEVELOPMENT STAGE COMPANY)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

	For the Three Months Ended March 31, 2008	For the Three Months Ended March 31, 2007	For the Nine Months Ended March 31, 2008	For the Nine Months Ended March 31, 2007	From Inception on July 1, 1998 through March 31, 2008
Revenue	$ 79,167	$ 6,250	$ 456,667	$ 268,750	$ 1,175,000
Operating Expenses:					
General and administrative	876,966	514,189	1,851,876	2,001,068	21,286,069
Research and development	474,176	314,294	1,219,325	863,037	9,412,494
Total Operating Expenses	1,351,142	828,483	3,071,201	2,864,105	30,698,563
Loss From Operations	(1,271,975)	(822,233)	(2,614,534)	(2,595,355)	(29,523,563)
Sale of state income tax loss, net					586,442
Other noncash income					321,259
Interest income, net	43,907	20,916	76,013	57,936	455,801
Amortization of debt discount and financing costs	(628,626)		(927,054)		(927,054)
Interest expense on convertible notes	(187,473)		(255,309)		(255,309)
Net Loss	$ (2,044,167)	$ (801,317)	$ (3,720,884)	$ (2,537,419)	$ (29,342,424)
Basic and Diluted Net Loss Per Common Share	$ (0.12)	$ (0.05)	$ (0.21)	$ (0.15)	
Basic and Diluted Weighted Average Number of Common Shares Outstanding	17,583,461	17,473,694	17,510,410	16,732,003	

See Notes to Condensed Consolidated Financial Statements.

SENESCO TECHNOLOGIES, INC. AND SUBSIDIARY

(A DEVELOPMENT STAGE COMPANY)

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY

FROM INCEPTION ON JULY 1, 1998 THROUGH MARCH 31, 2008

(unaudited)

	Common Stock		Capital in Excess of Par Value	Deficit Accumulated During the Development Stage	Total
	Shares	Amount			
Common stock outstanding	2,000,462	$ 20,005	$ (20,005)		
Contribution of capital			85,179		$ 85,179
Issuance of common stock in reverse merger on January 22, 1999 at $0.01 per share	3,400,000	34,000	(34,000)		
Issuance of common stock for cash on May 21, 1999 at $2.63437 per share	759,194	7,592	1,988,390		1,995,982
Issuance of common stock for placement fees on May 21, 1999 at $0.01 per share	53,144	531	(531)		
Issuance of common stock for cash on January 26, 2000 at $2.867647 per share	17,436	174	49,826		50,000
Issuance of common stock for cash on January 31, 2000 at $2.87875 per share	34,737	347	99,653		100,000
Issuance of common stock for cash on February 4, 2000 at $2.934582 per share	85,191	852	249,148		250,000
Issuance of common stock for cash on March 15, 2000 at $2.527875 per share	51,428	514	129,486		130,000
Issuance of common stock for cash on June 22, 2000 at $1.50 per share	1,471,700	14,718	2,192,833		2,207,551

(continued)

See Notes to Condensed Consolidated Financial Statements.

SENESCO TECHNOLOGIES, INC. AND SUBSIDIARY

(A DEVELOPMENT STAGE COMPANY)

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY

FROM INCEPTION ON JULY 1, 1998 THROUGH MARCH 31, 2008

(unaudited)

	Common Stock		Capital in Excess of Par Value	Deficit Accumulated During the Development Stage	Total
	Shares	Amount			
Commissions, legal and bank fees associated with issuances for the year ended June 30, 2000			$ (260,595)		$ (260,595)
Fair market value of options and warrants vested during the year ended June 30, 2000			1,475,927		1,475,927
Fair market value of options and warrants vesting during the year ended June 30, 2001			308,619		308,619
Issuance of common stock and warrants for cash from November 30, 2001 through April 17, 2002 at $1.75 per unit	3,701,430	$ 37,014	6,440,486		6,477,500
Issuance of common stock and warrants associated with bridge loan conversion on December 3, 2001	305,323	3,053	531,263		534,316
Commissions, legal and bank fees associated with issuances for the year ended June 30, 2002			(846,444)		(846,444)
Fair market value of options and warrants vested during the year ended June 30, 2002			1,848,726		1,848,726
Fair market value of options and warrants vested during the year ended June 30, 2003			848,842		848,842
Issuance of common stock and warrants for cash from January 15, 2004 through February 12, 2004 at $2.37 per unit	1,536,922	15,369	3,627,131		3,642,500
Allocation of proceeds to warrants			(2,099,090)		(2,099,090)

(continued)

See Notes to Condensed Consolidated Financial Statements.

SENESCO TECHNOLOGIES, INC. AND SUBSIDIARY

(A DEVELOPMENT STAGE COMPANY)

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY

FROM INCEPTION ON JULY 1, 1998 THROUGH MARCH 31, 2008

(unaudited)

	Common Stock		Capital in Excess of Par Value	Deficit Accumulated During the Development Stage	Total
	Shares	Amount			
Reclassification of warrants			$ 1,913,463		$ 1,913,463
Commissions, legal and bank fees associated with issuances for the year ended June 30, 2004			(378,624)		(378,624)
Fair market value of options and warrants vested during the year ended June 30, 2004			1,826,514		1,826,514
Options and warrants exercised during the year ended June 30, 2004 at exercise prices ranging from $1.00 - $3.25	370,283	$ 3,704	692,945		696,649
Issuance of common stock and warrants for cash on May 9, 2005 at $2.11 per unit	1,595,651	15,957	3,350,872		3,366,829
Allocation of proceeds to warrants			(1,715,347)		(1,715,347)
Reclassification of warrants			1,579,715		1,579,715
Commissions, legal and bank fees associated with issuance on May 9, 2005			(428,863)		(428,863)
Options and warrants exercised during the year ended June 30, 2005 at exercise prices ranging from $1.50 to $3.25	84,487	844	60,281		61,125
Fair market value of options and warrants vested during the year ended June 30, 2005			974,235		974,235

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See Notes to Condensed Consolidated Financial Statements

SENESCO TECHNOLOGIES, INC. AND SUBSIDIARY

(A DEVELOPMENT STAGE COMPANY)

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY

FROM INCEPTION ON JULY 1, 1998 THROUGH MARCH 31, 2008

(unaudited)

	Common Stock		Capital in Excess of Par Value	Deficit Accumulated During the Development Stage	Total
	Shares	Amount			
Fair market value of options and warrants granted and vested during the year ended June 30, 2006			$ 677,000		$ 677,000
Warrants exercised during the year ended June 30, 2006 at an exercise price of $0.01	10,000	$ 100			100
Issuance of common stock and warrants for cash on October 11, 2006 at $1.135 per unit	1,986,306	19,863	2,229,628		2,249,491
Commissions, legal and bank fees associated with issuance on October 11, 2006			(230,483)		(230,483)
Fair market value of options and warrants vested during the year ended June 30, 2007			970,162		970,162
Warrants exercised during the year ended June 30, 2007 at an exercise price of $0.01	10,000	100			100
Fair market value of options and warrants vested during the nine months ended March 31, 2008			986,517		986,517
Allocation of proceeds from issuance of convertible notes and warrants from September 21, 2007 through December 20, 2007			6,550,000		6,550,000
Issuance of common stock in lieu of cash payment for interest during the nine months ended March 31, 2008	254,620	2,546	252,763		255,309

Net loss						$	(29,342,424)	(29,342,424)
Balance at March 31, 2008	17,728,314	$	177,283	$	35,925,622	$	(29,342,424)	$ 6,760,481

See Notes to Condensed Consolidated Financial Statements.

SENESCO TECHNOLOGIES, INC. AND SUBSIDIARY

(A DEVELOPMENT STAGE COMPANY)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	For the Nine Months Ended March 31,		From Inception on July 1, 1998 through March 31,
	2008	2007	2008
Cash flows from operating activities:			
Net loss	$ (3,720,884)	$ (2,537,419)	$ (29,342,424)
Adjustments to reconcile net loss to net cash used in operating activities:			
Noncash capital contribution			85,179
Noncash conversion of accrued expenses into equity			131,250
Noncash income related to change in fair value of warrant liability			(321,259)
Issuance of common stock and warrants for interest	255,309		264,625
Issuance of stock options and warrants for services	708,537	908,000	9,507,312
Depreciation and amortization	67,179	117,094	431,020
Amortization of convertible note discount and deferred financing costs	927,054		927,054
(Increase) decrease in operating assets:			
Prepaid expense and other current assets	46,831	36,585	(57,695)
Security deposit			(7,187)
Increase (decrease) in operating liabilities:			
Accounts payable	59,267	9,846	168,525
Accrued expenses	132,260	(92,870)	509,619
Deferred revenue	(16,667)	(18,750)	
Other liability	(4,601)	(3,917)	24,595
Net cash used in operating activities	(1,545,715)	(1,581,431)	(17,679,386)
Cash flows from investing activities:			
Patent costs	(551,752)	(390,381)	(3,297,459)
Purchase of investments, net	(250,000)	(100,000)	(500,000)
Purchase of property and equipment	(2,783)	(1,482)	(172,890)
Net cash used in investing activities	(804,535)	(291,863)	(3,970,349)
Cash flows from financing activities:			
Proceeds from grant			99,728
Proceeds from issuance of bridge notes			525,000
Proceeds from issuance and exercises of common stock and warrants		2,019,108	19,082,818
Proceeds from issuance of convertible note and warrants, net of $450,000 paid to holder	6,550,000		6,550,000
Deferred financing costs	(558,578)		(558,578)
Net cash provided by financing activities	5,991,422	2,019,108	25,698,968
Net increase in cash and cash equivalents	3,641,172	145,814	4,049,233
Cash and cash equivalents at beginning of period	408,061	318,473	
Cash and cash equivalents at end of period	$ 4,049,233	$ 464,287	$ 4,049,233

Supplemental disclosure of cash flow information:				
Cash paid during the period for interest	$		$	$ 22,317
Supplemental schedule of noncash financing activity:				
Conversion of bridge notes into stock	$		$	$ 534,316
Allocation of convertible debt proceeds to warrants and beneficial conversion feature	$	6,550,000	$	$ 6,550,000
Warrants issued for financing costs	$	277,979	$	$ 277,979

See Notes to Condensed Consolidated Financial Statements

SENESCO TECHNOLOGIES, INC. AND SUBSIDIARY

(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

Note 1 - Basis of Presentation:

The financial statements included herein have been prepared by Senesco Technologies, Inc. (the Company), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with United States generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the fiscal year ended June 30, 2007.

In the opinion of the Company s management, the accompanying unaudited condensed consolidated financial statements contain all adjustments, consisting solely of those which are of a normal recurring nature, necessary to present fairly its financial position as of March 31, 2008, the results of its operations for the three-month and nine-month periods ended March 31, 2008 and 2007, cash flows for the nine-month periods ended March 31, 2008 and 2007, and the results of its operations and cash flows for the period from inception on July 1, 1998 through March 31, 2008.

Interim results are not necessarily indicative of results for the full fiscal year.

Note 2 Liquidity:

The operations of the Company to date have required significant cash expenditures. As shown in the accompanying financial statements, the Company has a history of losses with a deficit accumulated during the development stage from inception through March 31, 2008 of $29,342,424. The future capital requirements of the Company will depend on the results of its research and development activities, preclinical studies and competitive and technological advances.

As of March 31, 2008, the Company had cash and investments in the amount of $4,549,233, which the Company estimates will cover its expenses for approximately the next twelve months.

In connection with agreements entered into on August 29, 2007, the Company will issue convertible notes and warrants and will receive $1,500,000 on the date the Company enters into a supply agreement with a third party manufacturer for sufficient quantity and quality of nano-particle for encapsulation of Factor 5A gene to be used in toxicology and proof of concept human studies under a United States Food and Drug Administration, (the FDA), accepted Investigational New Drug application, (an IND Application), and $1,500,000 on the date the

Company enters into a supply agreement with a third party manufacturer to provide sufficient quantity and quality of Factor 5A DNA to carry out toxicology and proof of concept human studies under a FDA accepted IND Application (see Note 7). If the Company receives the additional gross proceeds from the issuance of $3,000,000 of convertible notes and warrants,

then the Company estimates that it will have enough cash and investments to cover its expenses for approximately the next 18 months.

The American Stock Exchange (the AMEX) requires the Company to meet minimum financial requirements in order to maintain its listing. Specifically, the Company is required to maintain a minimum net worth of $6,000,000 under the continued listing requirements of the AMEX. The Company had previously received a notice of noncompliance from the AMEX. The Company submitted a plan to the AMEX discussing how it intends to regain compliance with the continued listing requirements. The American Stock Exchange had accepted the Company s plan and had given the Company until March 1, 2008 to effectuate the plan and regain compliance with the continued listing requirements. On March 12, 2008, the American Stock Exchange notified the Company that it has regained compliance with the continued listing requirements. As of March 31, 2008, the Company believes that it continues to be in compliance with the American Stock Exchange s continued listing requirements.

Note 3 Intangible Assets:

The Company conducts research and development activities, the cost of which is expensed as incurred, in order to generate patents that can be licensed to third parties in exchange for license fees and royalties. Because the patents are the basis of the Company s future revenue, certain patent costs are capitalized. The capitalized patent costs represent the outside legal fees incurred by the Company to submit and undertake all necessary efforts to have such patent applications issued as patents.

The length of time that it takes for an initial patent application to be approved is generally between four to six years, however, due to the unique nature of each patent application, the actual length of time may vary. If a patent application is denied, the associated cost of that application would be written off. However, the Company has not had any patent applications denied as of the date of this Report on Form 10-Q. Additionally, should a patent application become impaired during the application process, the Company would write down or write off the associated cost of that patent application.

Issued patents and agricultural patents pending are being amortized over a period of 17 years, the expected economic life of the patent.

The Company assesses the impairment in value of intangible assets whenever events or circumstances indicate that their carrying value may not be recoverable. Factors the Company considers important which could trigger an impairment review include the following:

- significant negative industry trends;
- significant underutilization of the assets;
- significant changes in how the Company uses the assets or its plans for their use; and
- changes in technology and the emergence of competing technology.

If the Company s review determines that the future discounted cash flows related to these assets will not be sufficient to recover their carrying value, the Company will reduce the carrying values of these assets down to its estimate of fair value and continue amortizing them over their remaining useful lives. To date, the Company has not recorded any impairment of intangible assets.

Note 4 - Loss Per Share:

Net loss per common share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. As of March 31, 2008, shares to be issued upon the exercise of options and warrants aggregating 19,955,861 at an average exercise price of $1.47, and as of March 31, 2007, shares to be issued upon the exercise of options and warrants aggregating 9,007,877 at an average price of $2.47 are not included in the computation of diluted loss per share as the effect is anti-dilutive. Additionally, at March 31, 2008, 7,777,777 shares to be issued upon the conversion of convertible notes at a fixed conversion rate of $0.90 are not included in the computation of diluted loss per share as the effect is anti-dilutive.

Note 5 Share-Based Transactions:

The terms and vesting schedules for share-based awards vary by type of grant and the employment status of the grantee. Generally, the awards vest based upon time-based conditions.

The fair value of each stock option and warrant granted has been determined using the Black-Scholes model. The material factors incorporated in the Black-Scholes model in estimating the value of the options and warrants include the following:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2008	2007	2008	2007
Estimated life in years	4-6	6-10	4-6	6-10
Risk-free interest rate (1)	1.9-4.1%	4.2-4.7%	1.9-4.1%	4.2-4.7%
Volatility	100%	70-148%	100%	70-148%
Dividend paid	None	None	None	None

(1) Represents the interest rate on a U.S. Treasury security with a maturity date corresponding to that of the option term.

The economic values of the options will depend on the future price of the Company s common stock, par value $0.01 (the Common Stock), which cannot be forecast with reasonable accuracy.

A summary of changes in the stock option plan for the nine month period ended March 31, 2008 is as follows:

	Number of Options .		Weighted-Average Exercise Price
Outstanding at July 1, 2007	2,646,000	$	2.33
Granted	1,069,600	$	0.99
Exercised			
Canceled			

Outstanding at March 31, 2008	3,715,600	$	1.95
Exercisable at March 31, 2008	2,778,336	$	2.25

A summary of changes to the non-vested stock options for the nine month period ended March 31, 2008 is as follows:

	Number of Options	Weighted-Average Grant-Date Fair Value
Non-vested stock options at July 1, 2007	249,666	$ 1.07
Granted	1,069,600	$ 0.76
Vested	(382,002)	$ (0.82)
Forfeited		
Non-vested stock options at March 31, 2008	937,264	$ 0.77

As of March 31, 2008, the aggregate intrinsic value of stock options outstanding was $372,084, with a weighted-average remaining term of 6.2 years. The aggregate intrinsic value of stock options exercisable at that same date was $107,967, with a weighted-average remaining term of 5.1 years. As of March 31, 2008, the Company has 1,856,700 shares available for future stock option grants.

As of March 31, 2008, total compensation expense not yet recognized related to stock option grants and restricted stock units amounted to approximately $357,000**,** which will be recognized over the next 21 months and an additional $640,000 which may be recognized as achievement of certain target goals under the Company s Long-Term Incentive Program become probable over the next 33 months.

Short-Term Incentive Program

On December 13, 2007, upon recommendation of the Company s Compensation Committee, the Board adopted a Short-Term Equity Incentive Program for the members of the executive management team. The Programs are intended to ensure the achievement of certain goals of the Company, continuity of the Company s executive management, and to align the interests of the executive management with those of the shareholders.

Pursuant to and as defined in the Short-Term Equity Incentive Program, each executive would be awarded shares of the Company s Common Stock, or options to acquire shares of the Company s Common Stock, if the Company achieves certain target goals relating to research, financing, licensing, investor relations and other administrative items during the fiscal year ending June 30, 2008.

The number of eligible shares and options to be awarded to the executive is based upon the following weightings:

1. 45% of eligible shares and options for contributions relating to the Company s Multiple Myeloma project;

2. 25% of eligible shares and options for contributions relating to the Company s current financing;

3. 15% of eligible shares and options for contributions relating to the Company s licensing and licensing support activities;

4. 5% of eligible shares and option for contributions relating to the Company s audits and Securities and Exchange filings;

5. 4% of the eligible shares and options for contributions relating to the administration of the Company s intellectual property;

6. 3% of the eligible shares and options for contributions relating to the Company s investor relations program;

7. 1% of the eligible shares and options for contributions relating to the administration of the Company s website;

8. 1% of the eligible shares and options for contributions relating to the administration and monitoring of the requirements of the American Stock Exchange; and

9. 1% of the eligible shares and options for contributions relating to planning for future financing requirements.

If the target goals are achieved by the Company, the executive officers would be awarded the following number of shares and options for the Fiscal year ended June 30, 2008:

	Number of Shares	Number of Options (1)
Bruce C. Galton	50,225	
John E. Thompson, Ph.D.		52,676
Joel Brooks	37,275	
Richard Dondero		71,924
Sascha P. Fedyszyn	25,200	
Total	112,700	124,600

(1) Such options are exercisable at a strike price of $0.99, which represents the closing price of the common stock on December 12, 2007.

As of March 31, 2008, the Company has determined that the achievement of the target goals is probable. The total amount of compensation expense in connection with the short-term incentive program in the amount of $206,269 is being recorded ratably over the six and one-half month period from December 13, 2007 through June 30, 2008. Such compensation expense was determined under a black-scholes model on the date of adoption of the Short-Term Equity Incentive Program. For the nine month period ended March 31, 2008, the Company recorded $111,068 of such expense.

Long-Term Incentive Program

On December 13, 2007, upon recommendation of the Company s Compensation Committee, the Board adopted a Long-Term Equity Incentive Program for the members of the executive management team. The Programs are intended to ensure the achievement of certain goals of the Company, continuity of the Company s executive management, and to align the interests of the executive management with those of the shareholders.

Pursuant to and as defined in the Long-Term Equity Incentive Program, each executive would be awarded shares of the Company s Common Stock and options to acquire shares of the Company s Common Stock if the Company achieves certain target goals relating to its Multiple Myeloma research project over the next three fiscal years.

The number of eligible shares and options to be awarded to the executive is based upon the following weightings:

1. 20% of the eligible shares upon the execution of a research agreement to conduct a phase I/II clinical trial at a research facility;

2. 20% of the eligible shares upon the filing and acceptance by the FDA of an investigational new drug application; and

3. 60% of the eligible shares upon the successful completion of a FDA approved phase I/II clinical trial .

If the target goals are achieved by the Company, the executive officers would be awarded the following number of shares and options :

	Goal 1	Goal 2	Goal 3
Number of Shares			
Bruce C. Galton	25,000	25,000	75,000
Joel Brooks	10,000	10,000	30,000
Sascha P. Fedyszyn	10,000	10,000	30,000
Total number of shares	45,000	45,000	135,000
Number of Options (1)			
John E. Thompson, Ph.D.	50,000	50,000	150,000
Richard Dondero	60,000	60,000	180,000
Total number of options	110,000	110,000	330,000

(1) Such options are exercisable at a strike price of $0.99, which represents the closing price of the common stock on December 12, 2007.

As of March 31, 2008, the Company is not able to determine if the achievement of the target goals under the Long-Term Equity Incentive Program are probable and, therefore, has not yet begun to recognize any of the $640,000 compensation expense that was computed on the date of adoption of the program. The Company will begin recognizing such compensation expense ratably over the remaining term of the plan at such time that the Company is able to determine that the achievement of the target goals are probable.

Note 6 Revenue Recognition:

The Company receives certain nonrefundable upfront fees in exchange for the transfer of its technology to licensees. Upon delivery of the technology, the Company has no further obligations to the licensee with respect to the basic technology transferred and, accordingly, recognizes revenue at that time. The Company may, however, receive additional payments from its licensees in the event such licensees achieve certain development or commercialization milestones in their particular field of use. Other nonrefundable upfront fees and milestone payments, where the milestone payments are a function of time as opposed to achievement of specific achievement-based milestones, are deferred and amortized ratably over the estimated research period of the license.

Note 7 Convertible Note and Stockholders Equity:

On August 1, 2007 and August 29, 2007, the Company entered into binding Securities Purchase Agreements with YA Global Investments L.P. (YA Global) and Stanford Venture Capital Holdings, Inc. (Stanford), respectively, to sell to each of YA Global and Stanford up to $5,000,000 of secured convertible notes and accompanying warrants for an aggregate gross proceeds of $10,000,000. The convertible notes convert into the Company s common stock at a fixed price of $0.90 per share subject to certain adjustments (the Fixed Conversion Price), for a period of two years immediately following the signing date, provided that the Company has achieved the following milestones by January 31, 2008: (i) successful completion of animal studies, other than toxicology studies, necessary for the advancement of Factor 5A1 in human clinical trials, (ii) the engagement of a contract research organization for human clinical studies of Factor 5A1, and (iii) the signing of at least one (1) corporate partnership or license agreement after August 1, 2007 with an agricultural company utilizing the Company s proprietary platform. As of January 31, 2008, the Company has completed all of the three required milestones. After the second anniversary of the signing date, the convertible notes may convert into shares of the Company s common stock at the lower of the fixed conversion price or 80% of the lowest daily volume-weighted average price (the VWAP), of the common stock during the five trading days prior to the conversion date. The maturity date of each of the convertible notes for YA Global and Stanford is December 30, 2010 and December 31, 2010, respectively. Currently, at the fixed conversion price, the number of shares of common stock issuable upon conversion of the $7,000,000 of convertible notes outstanding and shares of common stock to be issued upon exercise of the warrants outstanding at March 31, 2008 represents, in the aggregate, 18,327,777 shares, plus an estimated additional 1,400,000 shares for the payment of interest in stock under the convertible notes.

The convertible notes accrue interest on their outstanding principal balances at an annual rate of 8%. The Company has the option to pay interest in cash or, upon certain conditions, common stock. If the Company pays interest in common stock, the stock will be valued at a 10% discount to the average daily VWAP for the five day trading period prior to the interest payment date (the Interest Shares)

At the Company s option, it can redeem a portion of, or all of, the principal owed under the convertible notes by providing the investors with at least 30 business days written notice, provided that, at the time of receipt of the notice, either: (A)(i) the VWAP of the common stock exceeds 130% of the Fixed Conversion Price for at least 20 of 30 prior trading days and (ii) there is an effective registration statement for the resale of the common stock that will be issued under the redemption or (B) it redeems a portion, or all, of the principal owed at a 20% premium above the principal then outstanding and any accrued interest thereupon. If the Company redeems all or any of the principal outstanding under the convertible notes, it will pay an amount equal to the principal being redeemed plus accrued interest.

If there is an effective registration statement for the resale of the shares underlying the convertible notes or if such shares become 144(k) eligible, the Company will have the option to force the investors to convert 50% and 100% of its then-outstanding convertible notes if its common stock price exceeds 150% and 175% of the Fixed Conversion Price, respectively, for any 20 out of 30 trading days; provided that such forced conversion meets certain conditions (the

Call Option). If the Company exercises its Call Option prior to the third anniversary of the signing date, it will issue additional warrants to the investor equal to 50% of the number of shares underlying the convertible note subject to the forced conversion. These warrants will be exercisable at the fixed conversion price and will have the same maturity as the other warrants issued under the YA Global financing.

The Company s obligations under the convertible notes are secured by all of its and its subsidiary s assets and intellectual property, as evidenced by certain Security Agreements and certain Patent Security Agreements by and between the Company and each of YA Global and Stanford. Pursuant to a subordination agreement, YA Global is the senior secured creditor.

The agreements with YA Global and Stanford provides for the issuance of warrants to purchase an aggregate of 5,550,000 and 8,333,333, respectively, of the Company s Common Stock, exercisable six months and one day from the date of issuance until their expiration on the date that is five years from the date of issuance. The warrants will be issued in two series. Generally, the Series A warrants may be issued prior to stockholder approval, while the Series B warrants are only issued after stockholder approval, which has been received. The exercise price of the Series A warrants is $1.01 per share, and the exercise price of the Series B warrants is $0.90 per share, subject to certain adjustments. The warrants provide a right of cashless exercise if, at the time of exercise, there is no effective registration statement registering the resale of the shares underlying the warrants.

The conversion rate of each convertible note and the exercise price of the Series B warrants are subject to adjustment for certain events, including dividends, stock splits, combinations and the sale of the Company s Common Stock or securities convertible into or exercisable for the Company s Common Stock at a price less than the then applicable conversion or exercise price.

The investors have a right of first refusal on any future funding that involves the issuance of the Company s capital stock for so long as a portion of the convertible notes is outstanding.

Pursuant to the Registration Rights Agreement, the Company filed an initial registration statement on October 12, 2007 to register 3,333,333 shares of common stock, underlying the convertible notes, issuable to YA Global, and such registration statement became effective on November 1, 2007. The Company is required to register an additional 891,667 shares of common stock issuable to YA Global. However, YA Global has amended its Registration Rights Agreement deferring its right to have such additional shares registered. If the shares issuable to YA Global remain outstanding after all shares under the registration statements have been sold, the Company may be required to file additional registration statements for those shares. These registration rights will cease once the shares issuable to YA Global on January 22, 2008 are eligible for sale by the investor without restriction under Rule 144(k). Upon certain events, the Company has agreed to pay as partial liquidated damages an amount equal to 1.0% of the aggregate purchase price paid by the investors for any convertible debentures then held by the investors, but these payments may not exceed 12% of the aggregate purchase price paid by the investors. The maximum liquidated damages payable under the Registration Rights Agreement is $600,000. The Company has not recorded an estimated registration rights liability as the Company anticipates that it will fulfill its obligations under the Registration Rights Agreement.

The total gross proceeds from the issuance of the convertible notes and warrants will be $10,000,000 before payment of 3.25% of the purchase price in commissions to Wainwright & Co., Inc. (the Placement Agent). The Company will issue to the Placement Agent warrants to purchase 7% of the purchase price, or 777,777 shares, of the Company s Common Stock with similar terms to the warrants that will be issued to the investors. The Company paid YA Global and Stanford a non-refundable structuring/due diligence fee of $30,000 each. The Company has also agreed to pay YA Global and Stanford a commitment fee of 5% and 7%, respectively, of its purchase price, which is paid proportionately at each closing.

Specifics of YA Global Financing

Pursuant to the YA Global Securities Purchase Agreement, the Company has issued three convertible notes in the aggregate amount of $5,000,000 and two Series A warrants in the amount of 1,387,500 shares each on September 21, 2007 and October 16, 2007 and a Series B warrant in the amount of 2,775,000 shares on December 20, 2007.

The gross proceeds, less $280,000 paid to YA Global, of $4,720,000 from the issuance of convertible notes and warrants have been allocated between the convertible notes and warrants based upon their fair values using the Black-Scholes model. Additional amounts were allocated to the beneficial conversion feature based upon the effective conversion price compared to the fair value of the common stock on the date of issuance of the convertible notes and warrants. The material factors incorporated in the Black-Scholes model in estimating the value of the warrants include the following:

Estimated life in years	5
Risk-free interest rate	3.5% - 4.4%
Volatility	100%
Dividend paid	None

As of March 31, 2008, net proceeds of $4,720,000 were allocated to the warrants and beneficial conversion feature and recorded as equity.

The convertible notes and warrants issued to YA Global are subject to a maximum cap of 30,500,000 on the number of shares of common stock that can be issued upon the conversion of the convertible notes and the exercise of the warrants.

Specifics of Stanford Financing

On December 20, 2007, the Company issued a convertible note in the amount of $2,000,000 and Series A warrants in the amount of 2,500,000 shares and Series B warrants in the amount of 2,500,000 shares.

The gross proceeds, less $170,000 paid to Stanford, of $1,830,000 from the issuance of the convertible note and warrants have been allocated between the convertible note and warrants based upon their fair values using the Black-Scholes model. Additional amounts were allocated to the beneficial conversion feature based upon the effective conversion price compared to the fair value of the common stock on the date of issuance

of the convertible notes and warrants. The

material factors incorporated in the Black-Scholes model in estimating the value of the warrants include the following:

Estimated life in years	5
Risk-free interest rate	3.5%
Volatility	100%
Dividend paid	None

As of March 31, 2008, net proceeds of $1,830,000 were allocated to the warrants and beneficial conversion feature and recorded as equity.

Pursuant to the Stanford Securities Purchase Agreement, the Company will issue and sell to Stanford:

1. a convertible note and warrants in the amount of $1,500,000 on the date the Company enters into a supply agreement with a third party manufacturer for sufficient quantity and quality of nano-particle for encapsulation of Factor 5A gene to be used in toxicology and proof of concept human studies under an FDA accepted IND Application; and

2. a convertible note and warrants in the amount of $1,500,000 on the date the Company enters into a supply agreement with a third party manufacturer to provide sufficient quantity and quality of Factor 5A DNA to carry out toxicology and proof of concept human studies under a FDA accepted IND Application.

The convertible notes and warrants issuable to Stanford will be subject to a maximum cap of 31,888,888 on the number of shares of common stock that can be issued upon the conversion of the convertible notes and the exercise of the warrants.

As of March 31, 2008, the outstanding balance of the Convertible Notes were $819,525, which is comprised of notes with an aggregate face amount of $7,000,000 less unamortized debt discount of $6,180,475. On April 29, 2008, YA Global converted $500,000 of the Convertible Notes into 555,556 shares of the Company s common stock.

Debt discount associated with the Convertible Notes is amortized to interest expense over the remaining life of the Convertible Notes. Upon conversion of the Convertible Notes into Common Stock, any unamortized debt discount relating to the portion converted will be charged to equity. Total charges to interest for amortization of debt discount were $561,965 and $819,525 for the three month and nine month periods ended March 31, 2008.

The costs associated with the issuances in the amount of $836,558 have been recorded as deferred financing costs and are being amortized ratably over the term of the convertible notes. The balance of deferred financing costs as of March 31, 2008 amounted to $729,029.

Note 8 Income Taxes:

No provision for income taxes has been made in the three months and nine month periods ended March 31, 2008 and 2007 given the Company s losses in 2008 and 2007 and available net operating loss carryforwards. A benefit has not been recorded as the realization of the net operating losses is not assured and the timing in which the Company can utilize its net operating loss carryforwards in any year or in total may be limited by provisions of the Internal Revenue Code regarding changes in ownership of corporations.

In July 2006, the Financial Accounting Standards Board issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity s financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes . FIN 48 prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken or expected to be taken on a tax return. Additionally, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company adopted FIN 48 effective July 1, 2007 and there was no material effect on our results of operations or financial position.

Note 9 Effects of New Accounting Pronouncements Applicable to the Company

EITF Issue No. 07-3 Accounting for Nonrefundable Advance Payments for Goods or Services Received for Use in Future Research and Development Activities.

This pronouncement states that nonrefundable advance payments for future research and development activities should be deferred and capitalized. This pronouncement is effective for financial statements issued for fiscal years beginning after December 15, 2007, and interim periods within those fiscal years. Early application is not permitted. The Company does not believe that this pronouncement will have any material effect on its financial statements.

Note 10 Financial Advisory Agreement:

On February 14**,** 2008, the Company amended its non-exclusive financial advisory agreement with Stanford Group Company, which was originally entered into on October 11, 2006. The amendment extended the term of the agreement through June 30, 2012 and expanded the services to be provided to the Company. As compensation for the term extension and expansion of services, previously issued warrants were amended. The exercise prices of the 1,500,000 shares of Common Stock underlying the warrants, 750,000 of which had an exercise price of $2.00 and 750,000 of which had an exercise price of $1.50, were reduced to $1.01. Additionally, the expiration dates of December 2009 and January 2010 were each extended through June 30**,** 2012. A compensation charge in the amount of $384,500 was recorded during the three month period ended March 31, 2008 in connection with extension and repricing of the warrants. The agreement may be terminated by either party upon sixty days written notice.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis should be read in conjunction with our condensed consolidated financial statements and the related notes thereto included in this Quarterly Report on Form 10-Q. The discussion and analysis may contain forward-looking statements that are based upon current expectations and entail various risks and uncertainties. Our actual results and the timing of events could differ materially from those anticipated in the forward-looking statements as a result of various factors, including those set forth under Factors That May Affect Our Business, Future Operating Results and Financial Condition and elsewhere in this report.

Overview

Our Business

We are a development stage biotechnology company whose primary business is to develop and license our patented and patent-pending genes, primarily eucartyotic translation initiation Factor 5A, or Factor 5A, and deoxyhypusine synthase, or DHS, and related technologies for inhibition, i.g. siRNA, in human health applications, to:

develop novel approaches to treat inflammatory and/or apoptotic related diseases in humans; and

develop novel approaches to treat cancer, a group of diseases in which apoptosis does not occur normally;

In agricultural applications we are developing and licensing Factor 5A, DHS and Lipase to enhance the quality and productivity of fruits, flowers, vegetables and agronomic crops through the control of cell death, referred to as senescence, and growth in plants.

Human Health Applications

We believe that our gene technology could have broad applicability in the human health field, by either inhibiting or accelerating apoptosis. Inhibiting apoptosis may be useful in preventing or treating a wide range of inflammatory and ischemic diseases attributed to premature apoptosis. Accelerating apoptosis may be useful in treating certain forms of cancer because the body s immune system is not able to force cancerous cells to undergo apoptosis via normal mechanisms.

We have commenced preclinical *in-vivo* and *in-vitro* research to determine the ability of Factor 5A to regulate key execution genes, pro-inflammatory cytokines, receptors, and transcription factors, which are implicated in numerous apoptotic diseases.

Certain preclinical human health results to date include:

demonstrated significant tumor regression and diminished rate of tumor growth of multiple myeloma tumors in SCID mice treated with Factor 5A technology encapsulated in nanoparticles.

increasing the median survival by approximately 250% in a tumor model of mice injected with melanoma cancer cells;

inducing apoptosis in both human cancer cell lines derived from tumors and in lung tumors in mice;

inducing apoptosis of cancer cells in a human multiple myeloma cell line;

measuring VEGF reduction in mouse lung tumors as a result of treatment with our genes;

reducing the amounts of p24 and IL-8 by approximately 50 percent in a HIV-1 infected human cell line;

increased the survival, while maintaining functionality, of mouse pancreatic islet cells isolated for transplantation, using intraperitaneal administration of eIF-5A siRNA. Initial animal studies have shown that siRNA to Factor 5A administered prior to harvesting beta islet cells from a mouse has a significant impact not only on the survival of the beta islet cells, but also on the retention of the cells functionality when compared to the untreated beta islet cells. Additional studies have shown that the treated beta islet cells survive a pro-inflammatory cytokine challenge, while maintaining their functionality with respect to insulin production. These further studies also revealed eIF-5A s modulation of inducible nitric oxide synthase (iNOS), an important indicator of inflammation;

demonstrating that the efficacy of our technology is comparable to that of existing approved anti-inflammatory prescription drugs in reducing certain inflammatory cytokines in mice; and

increasing the survival rate of mice in a lethal challenge sepsis model. Additionally, a broad spectrum of systemic pro-inflammatory cytokines were down-regulated, while not effecting the anti-inflammatory cytokine IL-10.

Inhibiting Apoptosis

We believe that down-regulation of our proprietary Factor 5A gene may have potential application as a means for controlling the effect of a broad range of diseases that are attributable to premature apoptosis, ischemia, or inflammation. Apoptotic diseases include glaucoma, heart disease, and certain inflammatory diseases such as Crohn s disease, sepsis and diabetic retinopathy, among many others. We are engaged in preclinical research on certain inflammatory diseases. Using small inhibitory RNA s, or siRNA s, against Factor 5A to inhibit its expression, we have reduced pro-inflammatory cytokine formation and formation of receptors for liposolysaccharide, or LPS, interferon-gamma and TNF-alpha. We have also determined that by inhibiting Factor 5A iNOS, MAPK, NFkB and JAK1 are downregulated, which decreases the inflammatory cytokines formed through these pathways. Additionally, we have shown in a mouse study that our siRNA is comparable to a steroid and to a prescription anti-TNF drug in its ability to reduce cytokine response to LPS. *In-vivo* mouse studies have shown that the siRNA against Factor 5A (i) protects thymocyte cells from apoptosis and decreases formation of myeloperoxidase, or MPO, TNF-a, MIP-1alpha, and IL-1 in the lungs of mice challenged with LPS; and (ii) increases the survival rate in which sepsis was induced by a lethal injection of LPS and reduced blood serum levels of inflammatory proteins, such as IL-1, IL-2, IL-6, IL-12, TNF-a, IFNg and MIP-1alpha, while not effecting IL-10, an anti-inflammatory cytokine. The siRNA s against Factor 5A are currently being tested in several preclinical *in-vivo* inflammatory disease models. Other experiments utilizing siRNA to Factor 5A include inhibition of cell death, or

apoptosis, during the processing of mouse pancreatic beta islet cells for transplantation; the inhibition of early inflammatory changes associated with type-2 diabetes in an in-vivo rat model; and the inhibition of viral replication in a human cell line infected with HIV-1.

Proteins required for cell death include p53, interleukins, TNF-a and other cytokines, and caspases. Expression of these cell death proteins is required for the execution of apoptosis. We have found that downregulating Factor 5A by treatment with siRNA, inhibits the expression of p53, a major cell death transcription factor that in turn controls the formation of a suite of other cell death proteins. In addition, down-regulation of Factor 5A up-regulates Bcl-2, a major suppressor of apoptosis.

Accelerating Apoptosis

In pre-clinical studies, we have also established that up-regulation of Factor 5A isoform induces cell death in cancer cells through both the p53 (intrinsic) and cell death receptor (extrinsic) apoptotic pathways. Tumors arise when cells that have been targeted by the immune system to undergo apoptosis are unable to do so because of an inability to activate the apoptotic pathways. Just as the Factor 5A gene appears to facilitate expression of the entire suite of genes required for programmed cell death in plants, the Factor 5A gene appears to regulate expression of a suite of genes required for programmed cell death in human cells. Because the Factor 5A gene appears to function at the initiation point of the apoptotic pathways, both intrinsic and extrinsic, we believe that our gene technology has potential application as a means of combating a broad range of cancers. Through in-vitro studies, we have found that up-regulating Factor 5A results in: (i) the up-regulation of p53; (ii) increases inflammatory cytokine production; (iii) increases cell death receptor formation; and (iv) increases caspase activity. These features, coupled with a simultaneous down-regulation Bcl-2, result in apoptosis of cancer cells. In addition, in-vitro studies have shown that up-regulation of Factor 5A also down-regulates VEGF, a growth factor which allows tumors to develop additional vascularization needed for growth beyond a small mass of cells.

Human Health Research Program

Our human health research program, which has consisted of pre-clinical in-vitro and in-vivo experiments designed to assess the role and method of action of the Factor 5A genes in human diseases, is performed by approximately 17 third party researchers at our direction, at the University of Waterloo, Mayo Clinic, the University of Colorado, and the University of Virginia.

Our preclinical research has yielded data that we have presented to various biopharmaceutical companies that may be prospective licensees for the development and marketing of potential applications for our technology.

Our planned future pre-clinical research and development initiatives for human health include:

Multiple Myeloma. Advance our technology for the potential treatment of multiple myeloma with the goal of initiating a clinical trial. In connection with the potential clinical trial, we have engaged a clinical research organization, or CRO, to assist us

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through the process. Together with the CRO, we will also be finalizing our evaluation of potential delivery systems for our technology in the animal model, contracting for the supply of pharmaceutical grade materials to be used in toxicology and human studies, and ultimately filing an investigational new drug application, or IND application, with the U.S. Food and Drug Administration, or FDA, for their review and consideration in order to initiate a clinical trial. We estimate that it will take less than twentyfour months to complete these objectives.

HIV-1. We will continue in-vitro studies utilizing different siRNA delivery systems in order to increase the transfection efficiency of the siRNA to Factor 5A to determine further decreases in HIV replication and may seek animal models to test delivery systems. A nanoparticle has been identified for the delivery of Factor 5A.

Lung Inflammation. Optimization of the delivery and dose of the siRNA against Factor 5A to the lungs may be the direction of future lung inflammation experiments. Mouse model systems may be used to illustrate the siRNA to Factor 5A s ability to reduce morbidity and mortality in lung inflammation, caused by the up-regulation of pro-inflammatory cytokines induced by flu.

Diabetic Retinopathy. We have received encouraging results from our initial studies, which have shown a decrease in key proteins related to retinopathy, such as TNF, VEGF, and iNOS.

Other. We may look at other disease states in order to determine the role of Factor 5A.

In order to pursue the above research initiatives, as well as other research initiatives that may arise, we have recently completed private placements of $10 million of convertible notes and common stock warrants. We have already issued and received the net proceeds from $7 million of the convertible notes and common stock warrants. The remaining $3 million from the private placements will be received upon the occurrence of the following development milestones:

$1.5 million on the date that we enter into a supply agreement with a third party manufacturer for sufficient quantity and quality of nano-particle for encapsulation of Factor 5A gene to be used in toxicology and proof of concept human studies; and

$1.5 million on the date that we enter into a supply agreement with a third party manufacturer to provide sufficient quantity and quality of Factor 5A DNA to carry out toxicology and proof of concept human studies under an FDA accepted IND application.

However, it may be necessary for us to raise a significant amount of additional working capital in the future to continue to pursue some of the above and new initiatives. If we are unable to raise the necessary funds or meet the corporate and scientific milestones provided for in the private placements, we may be required to significantly curtail the future development of some of our research initiative and we will be unable to pursue other possible research initiatives.

We may further expand our research and development program beyond the initiatives listed above to include other research centers.

Agricultural Applications

Our agricultural research focuses on the discovery and development of certain gene technologies, which are designed to confer positive traits on fruits, flowers, vegetables, forestry species and agronomic crops. To date, we have isolated and characterized the senescence-induced lipase gene, DHS, and Factor 5A in certain species of plants. Our goal is to modulate the expression of these genes in order to achieve such traits as extended shelf life, increased biomass, increased yield and increased resistance to environmental stress and disease, thereby demonstrating proof of concept in each category of crop.

Certain agricultural results to date include:

- longer shelf life of perishable produce;
- increased biomass and seed yield;
- greater tolerance to environmental stresses, such as drought and soil salinity;
- greater tolerance to certain fungal and bacterial pathogens;
- more efficient plant utilization of fertilizer; and
- advancement to field trials in banana, lettuce, and trees.

We have licensed this technology to various strategic partners and have entered into a joint venture. We may continue to license this technology, as the opportunities present themselves, to additional strategic partners and/or enter into additional joint ventures. Together with our commercial partners, we are currently working with lettuce, turfgrass, canola, corn, soybean, cotton, banana, alfalfa, rice and certain species of trees and bedding plants, and we have obtained proof of concept for enhanced post harvest shelf life, seed yield, biomass, and resistance to disease in several of these plant species.

We have ongoing field trials of certain trees and bananas with our respective partners. The initial field trials conducted with ArborGen over a three year period in certain species of trees have concluded and the trees have been harvested for wood quality assessment. Preliminary data from our joint field trials show significantly enhanced growth rates in some of the trees relative to controls. Through these studies and further research and development, we have selected promising genetic lines which are now being prepared fro the field.

The first and second round of banana field trials have shown that our technology extends the shelf life of banana fruit by 100%. In addition to the post harvest shelf life benefits, an additional field trial generated encouraging disease tolerance data, specific to Black Sigatoka (Black Leaf Streak Disease), for banana plants. Additional field trials for banana plants are ongoing for Black Sigatoka.

Commercialization by our partners may require a combination of traits in a crop, such as both post harvest shelf life and disease resistance, or other traits. Our near-term research and development initiatives include modulating the expression of DHS and Factor 5A genes in these plants and propagation and then propagation and phenotype testing of such plants.

Our ongoing research and development initiatives for agriculture include assisting our license and joint venture partners to:

further develop and implement the DHS and Factor 5A gene technology in lettuce, melon, banana, canola, cotton, turfgrass, bedding plants, rice, alfalfa, corn, soybean and trees; and

test the resultant crops for new beneficial traits such as increased yield, increased tolerance to environmental stress, disease resistance and more efficient use of fertilizer.

Commercialization Strategy

In order to address the complexities associated with marketing and distribution in the worldwide market, we have adopted a multi-faceted commercialization strategy, in which we have entered into and plan to enter into, as the opportunities present themselves, additional licensing agreements or other strategic relationships with a variety of companies or other entities on a crop-by-crop basis. We anticipate revenues from these relationships in the form of licensing fees and royalties from our partners, usage fees in the case of the agreement with Poet, or sharing gross profits in the case of the joint venture with Rahan Meristem. In addition, we anticipate payments from our partners upon our achievement of certain research and development benchmarks. This commercialization strategy allows us to generate revenue at various stages of product development, while ensuring that our technology is incorporated into a wide variety of crops. Our optimal partners combine the technological expertise to incorporate our technology into their product line along with the ability to successfully market the enhanced final product, thereby eliminating the need for us to develop and maintain a sales force.

Through April 30, 2008, we have entered into nine license agreements and one joint venture with established agricultural biotechnology companies or, in the case of Poet, an established ethanol company.

Because the agricultural market is dominated by privately held companies or subsidiaries of foreign owned companies, market size and market share data for the crops under our license and development agreements is not readily available. Additionally, because we have entered into confidentiality agreements with our license and development partners, we are unable to report the specific financial terms of the agreements as well as any market size and market share data that our partners may have disclosed to us regarding their companies.

Generally, projects with our license and joint venture partners begin by our partners transforming seed or germplasm to incorporate our technology. Those seeds or germplasm are then grown in our partners greenhouse. After successful greenhouse trials, our partners will transfer the plants to the field for field trials. After completion of successful field trials, our partners may have to apply for and receive regulatory approval prior to initiation of any commercialization activities.

Generally, the approximate time to complete each sequential development step is as follows:

Seed Transformation	approximately 1 to 2 years
Greenhouse	approximately 1 to 2 years
Field Trials	approximately 2 to 5 years

The actual amount of time spent on each development phase depends on the crop, its growth cycle and the success of the transformation achieving the desired results. As such, the amount of time for each phase of development could vary, or the time frames may change.

The development of our technology with Poet is different than our other licenses in that we are modifying certain production inputs for ethanol. That process involves modifying the inputs, testing such inputs in Poet s production process and, if successful, implementing such inputs in Poet s production process on a plant by plant basis.

The current status of each of our projects with our partners is as follows:

Project	Partner	Current Status
Banana	Rahan Meristem	
- Shelf Life		Field trials
- Disease		Field trials
Lettuce	Harris Moran	Field trial data under evaluation
Melon	Harris Moran	Seed transformation
Trees	ArborGen	
- Growth		Field trials
Alfalfa	Cal / West	Greenhouse
Corn	Monsanto	Just initiated
Cotton	Bayer	Just initiated
Canola	Bayer	Seed transformation
Rice	Bayer	Just initiated
Soybean	Monsanto	Just initiated
Turfgrass	The Scotts Company	Greenhouse
Bedding Plants	The Scotts Company	Greenhouse
Ethanol	Poet	Modify inputs

Commercialization by our partners may require a combination of traits in a crop, such as both shelf life and disease resistance, or other traits.

Based upon our commercialization strategy, we anticipate that there may be a significant period of time before plants enhanced using our technology reach consumers and we begin to receive royalties. Thus, we have not begun to actively market our technology directly to consumers, but rather, we have sought to establish ourselves within the industry through

presentations at industry conferences, our website and direct communication with prospective licensees.

We plan to employ the same partnering strategy in both the human health and agricultural target markets. Our preclinical research has yielded data that we have presented to various biopharmaceutical companies that may be prospective licensees for the development and marketing of potential applications of our technology. Consistent with our commercialization strategy, we intend to attract other companies interested in strategic partnerships or licensing our technology, which may result in additional license fees, revenues from contract research and other related revenues. Additionally, we have selected multiple myeloma as a target indication to develop and bring into clinical trials and may select additional human health indications to bring into clinical trials on our own. Successful future operations will depend on our ability to transform our research and development activities into commercially feasible technology.

Patent and Patent Applications

To date, we have been granted seventeen patents by the United States Patent and Trademark Office, or PTO, and nineteen patents from foreign countries, twenty-eight of which are for use of our technology in agricultural applications and eight of which relates to human health applications.

In addition to our thirty-six patents, we have a wide variety of patent applications, including divisional applications and continuations-in-part, in process with the PTO and internationally. We intend to continue our strategy of enhancing these new patent applications through the addition of data as it is collected.

Liquidity and Capital Resources

Overview

As of March 31, 2008, our cash balance and investments totaled $4,549,233**,** and we had working capital of $3,928,784. As of March 31, 2008, we had a federal tax loss carryforward of approximately $19,911,000 and a state tax loss carry-forward of approximately $11,730,000 to offset future taxable income. We cannot assure you that we will be able to take advantage of any or all of such tax loss carryforwards, if at all, in future fiscal years.

Contractual Obligations

The following table lists our cash contractual obligations as of March 31, 2008:

		Payments Due by Period			
Contractual Obligations	**Total**	**Less than 1 year**	**1 - 3 years**	**4 - 5 years**	**More than 5 years**
Research and Development Agreements (1)	$ 464,080	$ 464,080	$	$	$
Facility, Rent and Operating Leases (2)	$ 250,952	$ 78,280	$ 159,296	$ 13,376	$
Employment, Consulting and Scientific Advisory Board Agreements (3)	$ 680,692	$ 587,059	$ 93,633	$	$
Total Contractual Cash Obligations	$ 1,395,724	$ 1,129,419	$ 252,929	$ 13,376	$

(1) Certain of our research and development agreements disclosed herein provide that payment is to be made in Canadian dollars and, therefore, the contractual obligations are subject to fluctuations in the exchange rate.

(2) The lease for our office space in New Brunswick, New Jersey is subject to certain escalations for our proportionate share of increases in the building s operating costs.

(3) Certain of our employment and consulting agreements provide for automatic renewal, which is not reflected in the table, unless terminated earlier by the parties to the respective agreements.

We expect our capital requirements to increase significantly over the next several years as we commence new research and development efforts. Our future liquidity and capital funding requirements will depend on numerous factors, including, but not limited to, the levels and costs of our research and development initiatives and the cost and timing of the expansion of our business development and administrative staff.

Effective September 1, 2007, we extended our research and development agreement with the University of Waterloo for an additional one-year period through August 31, 2008, in the amount of CAD $699,980 or approximately USD $700,000. Research and development expenses under this agreement for the three months ended March 31, 2008 aggregated USD $180,000. Research and development expenses under this agreement for the three months ended March 31, 2007 aggregated USD, $137,530. Research and development expenses under this agreement for the nine months ended March 31, 2008 aggregated USD, $548,792. Research and development expenses under this agreement for the nine months ended March 31, 2007 aggregated USD, $433,872. Research and development expenses under this agreement, were $4,445,096 for the cumulative period from inception through March 31, 2008.

Capital Resources

Since inception, we have generated revenues of $1,175,000 in connection with the initial fees and milestone payments received under our license and development agreements. We have not been profitable since inception, we will continue to incur additional operating losses in the future, and we will require additional financing to continue the development and subsequent commercialization of our technology. While we do not expect to generate significant revenues from the licensing of our technology for the next one to three years, or longer, we may enter into additional licensing or other agreements with marketing and distribution partners that may result in additional license fees, receive revenues from contract research, or other related revenue.

Financings

On August 1, 2007 and August 29, 2007, we entered into binding Securities Purchase Agreements with YA Global Investments, referred to herein as YA Global, and Stanford Venture Capital Holdings, Inc., referred to herein as Stanford, to sell to each of YA Global and Stanford up to $5,000,000 of secured convertible notes and accompanying warrants for an aggregate gross proceeds of $10,000,000. The convertible notes convert into our common stock at a fixed price of $0.90 per share subject to certain adjustments, referred to herein as the Fixed Conversion Price, for a period of two years immediately following the signing date. After the second anniversary of the signing date, the convertible notes may convert into shares of our common stock at the lower of the fixed conversion price or 80% of the lowest daily volume-weighted average price, referred to herein as the VWAP, of our common stock during the five trading days prior to the conversion date. The maturity date of each of the convertible notes for YA Global is December 30, 2010. The maturity date of each of the convertible notes for Stanford is December 31, 2010. Currently, at the fixed conversion price, the number of shares of common stock issuable upon conversion of the $7,000,000 of convertible notes outstanding and shares of common stock to be issued upon exercise of the warrants outstanding at March 31, 2008 represents, in the aggregate, 18,327,777 shares, plus an estimated additional 1,400,000 shares for the payment of interest in stock under the convertible notes.

The convertible notes accrue interest on their outstanding principal balances at an annual rate of 8%. We have the option to pay interest in cash or, upon certain conditions, common stock. If we pay interest in our common stock, the stock will be valued at a 10% discount to the

average daily VWAP for the five day trading period prior to the interest payment date, referred to herein as the Interest Shares.

At our option, we can redeem a portion of, or all of, the principal owed under the convertible notes by providing the investors with at least 30 business days written notice, provided that, at the time of receipt of the notice, either: (A)(i) the VWAP of our common stock exceeds 130% of the Fixed Conversion Price for at least 20 of 30 prior trading days and (ii) there is an effective registration statement for the resale of our common stock that will be issued under the redemption or (B) we redeem a portion, or all, of the principal owed at a 20% premium above the principal then outstanding and any accrued interest thereupon. If we redeem all or any of the principal outstanding under the convertible notes, we will pay an amount equal to the principal being redeemed plus accrued interest.

If there is an effective registration statement for the resale of the shares underlying the convertible notes or if such shares become 144(k) eligible, we will have the option to force the investors to convert 50% and 100% of our then-outstanding convertible notes if our common stock price exceeds 150% and 175% of the Fixed Conversion Price, respectively, for any 20 out of 30 trading days; provided that such forced conversion meets certain conditions, referred to herein as the Call Option. If we exercise our Call Option prior to the third anniversary of the signing date, we will issue additional warrants to the investors equal to 50% of the number of shares underlying the convertible notes subject to the forced conversion. These warrants will be exercisable at the fixed conversion price and will have the same maturity as the other warrants issued under the YA Global Financing.

Our obligations under the convertible notes are secured by all of our and our subsidiary s assets and intellectual property, as evidenced by the Security Agreements and the Patent Security Agreements. Pursuant to a subordination agreement, YA Global is the senior secured creditor.

We have issued warrants to purchase an aggregate of 5,550,000 shares of our common stock to YA Global and warrants to purchase an aggregate of 5,000,000 of our common stock to Stanford. We will issue to Stanford an additional 3,333,333 warrants to purchase shares of our common stock upon the subsequent closings. Such warrants are exercisable six months and one day from the date of issuance until their expiration on the date that is five years from the date of issuance. The warrants have been and will be issued in two series. The exercise price of the Series A warrants is $1.01 per share, and the exercise price of the Series B warrants is $0.90 per share, subject to certain adjustments. The warrants provide a right of cashless exercise if, at the time of exercise, there is no effective registration statement registering the resale of the shares underlying the warrants.

The conversion rate of each convertible note and the exercise price of the Series B warrants are subject to adjustment for certain events, including dividends, stock splits, combinations and the sale of our common stock or securities convertible into or exercisable for our common stock at a price less than the then applicable conversion or exercise price.

The investors have a right of first refusal on any future funding that involves the issuance of our capital stock for so long as a portion of the convertible notes are outstanding.

The total gross proceeds from the issuance of the convertible notes and warrants will be $10,000,000 before payment of 3.25% of the purchase price in commissions to Wainwright & Co., Inc., referred to herein as the Placement Agent. We will issue to the Placement Agent warrants to purchase 7% of the purchase price, or 777,777 shares, of our common stock with similar terms to the warrants that have been and will be issued to the investors. We have paid YA Global and Stanford a non-refundable structuring/due diligence fee of $30,000 each. We have also paid YA Global a commitment fee of 5% and Stanford a commitment fee of 7% of their respective purchase prices. Such fee is paid proportionately at each closing.

Specifics of YA Global Financing

Pursuant to the YA Global Securities Purchase Agreement, we have issued three convertible notes in the aggregate amount of $5,000,000 and two Series A warrants in the amount of 1,387,500 shares each on September 21, 2007 and October 16, 2007 and a Series B warrant in the amount of 2,775,000 shares on December 20, 2007. On April 29, 2008, YA Global converted $500,000 of the convertible notes into 555,556 shares of our common stock.

The convertible notes and warrants issued to YA Global are subject to a maximum cap of 30,500,000 on the number of shares of our common stock that can be issued upon the conversion of the convertible notes and the exercise of the warrants.

Specifics of Stanford Financing

On December 20, 2007, we issued a convertible note in the amount of $2,000,000 and Series A warrants in the amount of 2,500,000 shares and Series B warrants in the amount of 2,500,000 shares.

Pursuant to the Stanford Securities Purchase Agreement, we will issue and sell to Stanford:

1. A convertible note and warrants in the amount of $1,500,000 on the date we enter into a supply agreement with a third party manufacturer for sufficient quantity and quality of nano-particle for encapsulation of Factor 5A gene to be used in toxicology and proof of concept human studies under an FDA accepted IND Application;

2. A convertible note and warrants in the amount of $1,500,000 on the date we enter into a supply agreement with a third party manufacturer to provide sufficient quantity and quality of Factor 5A DNA to carry out toxicology and proof of concept human studies under a FDA accepted IND Application.

The convertible notes and warrants issuable to Stanford will be subject to a maximum cap of 31,888,888 on the number of shares of our common stock that can be issued upon the conversion of the convertible notes and the exercise of the warrants.

The costs associated with the issuances to YA Global and Stanford in the amount of $836,558 have been recorded as deferred financing costs and are being amortized ratably over the term of the convertible notes.

We anticipate that, based upon our current cash and investments and the additional $3,000,000 proceeds from the issuance of convertible notes and warrants, we will be able to fund our operations for the next eighteen months. If we are unable to issue the additional $3,000,000 of convertible notes and warrants, we will be able to fund our operations for the next twelve months. Over the next twelve months, we plan to fund our research and development and commercialization activities by:

utilizing our current cash balance and investments;

achieving some of the milestones set forth in our current licensing agreements;

through the execution of additional licensing agreements for our technology; and

through the issuance of convertible notes under the recently completed transaction with YA Global and Stanford Financial.

We cannot assure you that we will be able to raise money through any of the foregoing transactions, or on favorable terms, if at all.

Changes to Critical Accounting Policies and Estimates

There have been no changes to our critical accounting policies and estimates as set forth in our Annual Report on Form 10-K for the fiscal year ended June 30, 2007.

Results of Operations

Three Months Ended March 31, 2008 and Three Months Ended March 31, 2007

The net loss for the three-month period ended March 31, 2008 was $2,044,167. The net loss for the three-month period ended March 31, 2007 was $801,317. Such a change represents an increase in net loss of $1,242,850**,** or 155.1%. This increase in net loss was primarily the result of an increase in expenses associated with the outstanding convertible notes that were issued during the current fiscal year, and an increase in operating expenses.

Revenue

Total revenues consisted of milestone payments on our agricultural development and license agreements. During the three-month period ended March 31, 2008, revenue of $79,167 consisted of milestone payments and the amortized portion of previous milestone payments received in connection with certain license agreements. During the three-month period ended March 31, 2007, revenue of $6,250 consisted of the amortized portion of previous milestone payments received in connection with certain development and license agreements.

We anticipate that we will continue to receive milestone payments in connection with our current agricultural license agreements. Additionally, we anticipate that we will receive royalty payments from our license agreements if our partners commercialize their crops containing our technology. However, it is difficult for us to determine our future revenue expectations because we are a development stage biotechnology company. As such, the timing and outcome of our experiments, the timing of signing new partners and the timing of our partners moving through the development process into commercialization is difficult to accurately predict.

Operating Expenses

	Three Months Ended March 31,			
	2008	**2007**	**Change**	**%**
	(in thousands, except % values)			
General and administrative	$877	$514	$363	70.6%
Research and development	474	314	160	51.0%
Total operating expenses	$ 1,351	$ 828	$ 523	63.2%

We expect operating expenses to increase over the next twelve months as we anticipate that research and development expenses will increase as we continue to expand our research and development activities.

General and Administrative Expenses

	Three Months Ended March 31,			
	2008	2007	Change	%
	(in thousands, except % values)			
Stock-based compensation	$ 505	$ 47	$ 458	974.5%
Payroll and benefits	176	157	19	12.1%
Investor relations	46	57	(11)	(19.3)%
Professional fees	76	87	(11)	(12.6)%
Depreciation and amortization	23	102	(79)	(77.5)%
Other general and administrative	51	64	(13)	(20.3)%
Total general and administrative	$ 877	$ 514	$ 363	70.6%

- Stock-based compensation for the three months ended March 31, 2008 consists of the Black-Scholes value of $384,000 of warrants extended and repriced in connection with an amendment to a financial advisory agreement entered into February 14, 2008, the amortized portion of the compensation charge in connection with our short-term stock incentive plan and the amortized portion of the Black-Scholes value of options and warrants previously granted to directors, employees and consultants. During the three months ended March 31, 2008, there were no option and warrant grants.

Stock-based compensation for the three months ended March 31, 2007 consists of the amortized portion of the Black-Scholes value of options and warrants previously granted to directors, employees and consultants.

- Payroll and benefits increased primarily as a result of salary and health insurance rate increases.

- Investor relations decreased primarily as a result of an one-time costs incurred during the three month period ended March 31, 2007 in connection with the redesign of our corporate logo.

- Professional fees decreased primarily as a result of a decrease in legal fees, which was partially offset by an increase in accounting fees primarily due to an increase in the fees related to the review and filing of our securities filings and the implementation of SOX 404.

- Depreciation and amortization decreased primarily as a result of a decrease in amortization of patent costs. During three month period ended March 31, 2007, we began amortizing the cost of our pending patent applications. During the three month period ended March 31, 2007, we recognized an amortization charge for the nine month period from July 1, 2006 through March 31, 2007.

We expect stock based general and administrative expenses to decrease over the next twelve months as we do not expect to amend the financial advisory agreement and therefore do not expect to further amend the warrants associated with such agreement. We expect other general and administrative expenses to modestly increase over the next twelve months primarily

due to an increase in legal and accounting fees related to the increased regulatory environment surrounding our business.

Research and Development Expenses

	Three Months Ended March 31,			
	2008	2007	Change	%
	(in thousands, except % values)			
Stock-based compensation	$ 57	$ 14	$ 43	307.11%
Other research and development	417	300	117	39.0%
Total research and development	$ 474	$ 314	$ 160	51.0%

- Stock-based compensation consists primarily of the amortized portion of Black-Scholes value of options and warrants granted to research and development consultants and employees.

- Other research and development costs increased primarily as a result of an expansion of our human health programs, including our cancer research program, and the weakness of the United States currency against the Canadian currency.

The breakdown of our research and development expenses between our agricultural and human health research programs is as follows:

	Three Months Ended March 31,			
	2008	%	2007	%
	(in thousands, except % values)			
Agricultural	$ 181	38%	$ 185	59%
Human health	293	62%	129	41%
Total research and development	$ 474	100%	$ 314	100%

Our human health expenses increased during the three-month period ended March 31, 2008 as we have initiated certain research projects that were not in progress during the three month period ended March 31, 2007.

We expect the percentage of human health research programs to continue to increase as a percentage of the total research and development expenses as we continue our current research projects and begin new human health initiatives.

Amortization of debt discount and financing costs and interest expense on convertible notes

From September 2007 through December 2007, we issued convertible notes in the aggregate face amount of $7 million and warrants. The net proceeds from the convertible notes and warrants were recorded as equity and the discount on such convertible notes is being amortized over the term of the convertible notes.

The convertible notes bear interest at a rate of 8% per annum, payable quarterly in cash or common stock.

Below is a summary of the convertible notes as of March 31, 2008:

Date Issued	Face Amount	Unamortized Amount	Maturity Date	Future Quarterly Amortization
Sept. 21, 2007	$ 1,500,000	$ 1,258,397	Dec. 30, 2010	$ 114,504
Oct. 16, 2007	$ 1,500,000	$ 1,285,714	Dec. 30, 2010	$ 116,883
Dec. 20, 2007	$ 2,000,000	$ 1,818,182	Dec. 30, 2010	$ 165,289
Dec. 20, 2007	$ 2,000,000	$ 1,818,182	Dec. 31, 2010	$ 165,289
Total	$ 7,000,000	$ 6,180,475		$ 561,965

Costs related to the issuance of the convertible notes and warrants in the amount of $836,558, which include $277,979 of non-cash charges for warrants issued to the placement agent, have been recorded as deferred financing costs and are being amortized over the term of the convertible notes. The expected future quarterly amortization of the deferred financing costs will be $66,273.

Nine Months Ended March 31, 2008 and Nine Months Ended March 31, 2007

The net loss for the nine-month period ended March 31, 2008 was $3,720,884. The net loss for the nine-month period ended March 31, 2007 was $2,537,419. Such a change represents an increase in net loss of $1,183,465, or 46.6%. This increase in net loss was primarily the result of an increase in operating expenses, and expenses associated with the outstanding convertible notes that were issued during the current fiscal year.

Revenue

Total revenues consisted of initial fees and milestone payments on our agricultural development and license agreements. During the nine-month period ended March 31, 2008, revenue of $456,667 consisted of initial payments and the amortized portion of previous milestone payments received in connection with certain license agreements. During the nine-month period ended March 31, 2007, revenue of $268,750 consisted of initial fees, milestone payments and the amortized portion of previous milestone payments received in connection with certain development and license agreements.

We anticipate that we will continue to receive milestone payments in connection with our current agricultural license agreements. Additionally, we anticipate that we will receive royalty payments from our license agreements if our partners commercialize their crops containing our technology. However, it is difficult for us to determine our future revenue expectations because we are a development stage biotechnology company. As such, the timing and outcome of our experiments, the timing of signing new partners and the timing of our partners moving through the development process into commercialization is difficult to accurately predict.

Operating Expenses

	Nine Months Ended March 31,			
	2008	2007	Change	%
	(in thousands, except % values)			
General and administrative	$ 1,852	$ 2,001	$ (149)	(7.4)%
Research and development	1,219	863	356	41.3%
Total operating expenses	$ 3,071	$ 2,864	$ 207	7.2%

We expect operating expenses to increase over the next twelve months as we anticipate that research and development expenses will increase as we continue to expand our research and development activities.

General and Administrative Expenses

	Nine Months Ended March 31,			
	2008	2007	Change	%
	(in thousands, except % values)			
Stock-based compensation	$ 620	$ 860	$ (240)	(27.8)%
Payroll and benefits	508	461	47	10.2%
Investor relations	257	218	39	17.9%
Professional fees	248	177	71	40.1%
Depreciation and amortization	67	117	(50)	(42.7)%
Other general and administrative	152	168	(16)	(9.5)%
Total general and administrative	$ 1,852	$ 2,001	$ (149)	(7.4)%

Stock-based compensation for the nine months ended March 31, 2008 consists primarily of the Black-Scholes value of $384,000 of warrants extended and repriced in connection with an amendment to a financial advisory agreement entered into February 14, 2008, the amortized portion of the compensation charge in connection with our short-term stock incentive plan and the amortized portion of the Black-Scholes value of options and warrants previously granted to directors, employees and consultants. During the nine month period ended March 31, 2008, there were 351,000 options and warrants granted to such directors, employees and consultants.

Stock-based compensation for the nine months ended March 31, 2007 consists of the Black-Scholes value of $683,000 of warrants extended and repriced in connection with a financial advisory agreement entered into on October 11, 2006 and the amortized portion of the Black-Scholes value of options and warrants granted to directors, employees and consultants. During the nine-month period ended March 31, 2007, there were 242,500 options or warrants granted to such directors, employees and consultants.

Payroll and benefits increased primarily as a result of salary and health insurance rate increases and a payments to certain employees for vacation time not used during the calendar year ended December 31, 2007.

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Investor relations increased as a result of an increase in the cost of the annual report due to additional required disclosures. Also, during the nine month period ended March 31, 2008, a proxy solicitor was retained to assist with the voting for our 2007 annual meeting.

Professional fees increased primarily as a result of an increase in legal and accounting fees primarily due to an increase in the fees related to the audit, review and filing of our securities filings and the implementation of SOX 404.

Depreciation and amortization decreased primarily as a result of a decrease in amortization of patent costs. We expect stock based general and administrative expenses to decrease over the next twelve months as we do not expect to amend the financial advisory agreement and therefore do not expect to further amend the warrants associated with such agreement. We expect other general and administrative expenses to modestly increase over the next twelve months primarily due to an increase in legal and accounting fees related to the increased regulatory environment surrounding our business.

Research and Development Expenses

	Nine Months Ended March 31,			
	2008	**2007**	**Change**	**%**
	(in thousands, except % values)			
Stock-based compensation	$ 88	$ 48	$ 40	83.3%
Other research and development	1,131	815	316	38.8%
Total research and development	$ 1,219	$ 863	$ 356	41.3%

Stock-based compensation consists primarily of the amortized portion of Black-Scholes value of options and warrants granted to research and development consultants and employees. During the nine-month periods ended March 31, 2008 and 2007 there were 45,000 and 88,000 options granted to such consultants and employees.

Other research and development costs increased primarily as a result of an expansion of our human health programs, including our cancer research program, the banana field trials and the weakness of the United States. currency against the Canadian currency.

The breakdown of our research and development expenses between our agricultural and human health research programs is as follows:

	Nine Months Ended March 31,				
	2008	%		2007	%
	(in thousands, except % values)				
Agricultural	$ 572	47%	$	526	61%
Human health	647	53%		337	39%
Total research and development	$ 1,219	100%	$	863	100%

Our human health research expenses increased during the nine-month period ended March 31, 2008 as we have initiated certain research projects that were not in progress during the nine month period ended March 31, 2007.

We expect the percentage of human health research programs to continue to increase as a percentage of the total research and development expenses as we continue our current research projects and begin new human health initiatives.

Amortization of debt discount and financing costs and interest expense on convertible notes

From September 2007 through December 2007, we issued convertible notes in the aggregate face amount of $7 million and warrants. The proceeds from the convertible notes and warrants were recorded as equity and the discount on such convertible notes is being amortized over the term of the convertible notes.

The convertible notes bear interest at a rate of 8% per annum, payable quarterly in cash or common stock.

On April 29, 2008, YA Global converted $500,000 of the above convertible notes into 555,556 shares of our common stock.

Costs related to the issuance of the convertible notes and warrants in the amount of $836,558, which include $277,979 of non-cash charges for warrants issued to the placement agent, have been recorded as deferred financing costs and are being amortized over the term of the convertible notes. The expected future quarterly amortization of the deferred financing costs will be $66,273.

Period From Inception on July 1, 1998 through March 31, 2008

From inception of operations on July 1, 1998 through March 31, 2008, we had revenues of $1,175,000, which consisted of the initial license fees and milestone payments in connection with our various development and license agreements. We do not expect to generate significant revenues for approximately the next one to three years, during which time we will continue to engage in significant research and development efforts.

We have incurred losses each year since inception and have an accumulated deficit of $29,342,424 at March 31, 2008. We expect to continue to incur losses as a result of expenditures on research and development and administrative activities.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Foreign Currency Risk

Our financial statements are denominated in United States dollars and, except for our agreement with the University of Waterloo, which is denominated in Canadian dollars, all of our contracts are denominated in United States dollars. Therefore, we believe that fluctuations in foreign currency exchange rates will not result in any material adverse effect on our financial condition or results of operations. In the event we derive a greater portion of our revenues from international operations or in the event a greater portion of our expenses are incurred internationally and denominated in a foreign currency, then changes in foreign currency exchange rates could effect our results of operations and financial condition.

Interest Rate Risk

We invest in high-quality financial instruments, primarily money market funds, federal agency notes, corporate debt securities and United States treasury notes, with an effective duration of the portfolio of less than twelve months, and no security with an effective duration in excess of one year, which we believe are subject to limited credit risk. We currently do not hedge our interest rate exposure. Due to the short-term nature of our investments, which we plan to hold until maturity, we do not believe that we have any material exposure to interest rate risk arising from our investments.

Item 4. Controls and Procedures.

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of March 31, 2008. Based on this evaluation, our chief executive officer and chief financial officer concluded that as of March 31, 2008, our disclosure controls and procedures were (1) designed to ensure that material information relating to us, including our consolidated subsidiaries, is made known to our chief executive officer and chief financial officer by others within those entities, particularly during the period in which this report was being prepared and (2) effective, in that they provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms; and (ii) accumulated and communicated to our management including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding disclosures.

No change in our internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the three-month ended March 31, 2008 that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION.

Item 1A. Risk Factors.

The more prominent risks and uncertainties inherent in our business are described below. However, additional risks and uncertainties may also impair our business operations. If any of the following risks actually occur, our business, financial condition or results of operations may suffer.

Risks Related to Our Business

We have a limited operating history and have incurred substantial losses and expect future losses.

We are a development stage biotechnology company with a limited operating history and limited assets and capital. We have incurred losses each year since inception and have an accumulated deficit of $29,342,424 at March 31, 2008. We have generated minimal revenues by licensing our technology for certain crops to companies willing to share in our development costs. However, our technology may not be ready for commercialization for several years. We expect to continue to incur losses for the next several years because we anticipate that our expenditures on research and development, and administrative activities will significantly exceed our revenues during that period. We cannot predict when, if ever, we will become profitable.

Our independent auditors have expressed substantial doubt about our ability to continue as a going concern.

In their audit opinion issued in connection with our consolidated balance sheets as of June 30, 2007 and 2006 and our related consolidated statements of operations, stockholders equity, and cash flows for the three year period ending June 30, 2007, our auditors have expressed substantial doubt about our ability to continue as a going concern given our recurring net losses, negative cash flows from operations, planned spending levels and the limited amount of funds on our balance sheet. We have prepared our financial statements on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The consolidated financial statements do not include any adjustments that might be necessary should we be unable to continue in existence.

We may need additional capital to fund our operations until we are able to generate a profit.

Our operations to date have required significant cash expenditures. Our future capital requirements will depend on the results of our research and development activities, preclinical studies and competitive and technological advances.

We have entered into definitive agreements to issue convertible notes and warrants for aggregate gross proceeds of $5,000,000 to YA Global, all of which have been issued. We have also entered into definitive agreements to issue $5,000,000 of convertible notes and warrants to Stanford, of

which $2,000,000 have been issued.

The remaining $3,000,000 of convertible notes and warrants to be issued pursuant to the Stanford financing will be issued as follows: (i) $1,500,000 on the date we enter into a supply agreement with a third party manufacturer for sufficient quantity and quality of nano-particle for encapsulation of Factor 5A gene to be used in toxicology and proof of concept human studies under a FDA accepted IND application; and (ii) $1,500,000 on the date we enter into a supply agreement with a third party manufacturer to provide sufficient quantity and quality of Factor 5A DNA to carry out toxicology and proof of concept human studies under a FDA accepted IND application. However, we can not assure you that we will meet the funding milestones. In addition, the YA Global financing and the Stanford financing are secured by all of our assets. If we default under the convertible debentures, the investors may foreclose on our assets and our business. As a result, we may need to obtain more funding in the future through collaborations or other arrangements with research institutions and corporate partners or public and private offerings of our securities, including debt or equity financing. We may not be able to obtain adequate funds for our operations from these sources when needed or on acceptable terms. Future collaborations or similar arrangements may require us to license valuable intellectual property to, or to share substantial economic benefits with, our collaborators. If we raise additional capital by issuing additional equity or securities convertible into equity, our stockholders may experience dilution and our share price may decline. Any debt financing may result in restrictions on our spending.

If we are unable to raise additional funds, we will need to do one or more of the following:

delay, scale-back or eliminate some or all of our research and product development programs;

license third parties to develop and commercialize products or technologies that we would otherwise seek to develop and commercialize ourselves;

attempt to sell our company;

cease operations; or

declare bankruptcy.

We believe that at the projected rate of spending and the additional $3,000,000 proceeds from the issuance of the convertible notes, we should have sufficient cash and investments to maintain our present operations for the next 18 months. However, if we do not receive the additional $3,000,000 proceeds from the issuance of the convertible notes and warrants, we should have sufficient cash and investments to maintain our present operations for the next 12 months.

We depend on a single principal technology and, if our technology is not commercially successful, we will have no alternative source of revenue.

Our primary business is the development and licensing of technology to identify, isolate, characterize and promote or silence genes which control the death of cells in humans and plants. Our future revenue and profitability critically depend upon our ability to successfully develop apoptosis and senescence gene technology and later license or market such technology. We have conducted experiments on certain crops with favorable results and have conducted certain

preliminary cell-line and animal experiments, which have provided us with data upon which we have designed additional research programs. However, we cannot give any assurance that our technology will be commercially successful or economically viable for any crops or human health applications.

In addition, no assurance can be given that adverse consequences might not result from the use of our technology such as the development of negative effects on humans or plants or reduced benefits in terms of crop yield or protection. Our failure to obtain market acceptance of our technology or of our current or potential licensees to successfully commercialize such technology would have a material adverse effect on our business.

We outsource all of our research and development activities and, if we are unsuccessful in maintaining our alliances with these third parties, our research and development efforts may be delayed or curtailed.

We rely on third parties to perform all of our research and development activities. Our research and development efforts take place at the University of Waterloo in Ontario, Canada, where our technology was discovered, the University of Colorado, Mayo Clinic, the University of Virginia, and with our commercial partners. At this time, we do not have the internal capabilities to perform our research and development activities. Accordingly, the failure of third-party research partners to perform under agreements entered into with us, or our failure to renew important research agreements with these third parties, may delay or curtail our research and development efforts.

We have significant future capital needs and may be unable to raise capital when needed, which could force us to delay or reduce our research and development efforts.

As of March 31, 2008, we had cash and highly-liquid investments valued at $4,549,233 and working capital of $3,928,784. Using our available reserves as of March 31, 2008, we believe that we can operate according to our current business plan for the next 12 months. However, with the potential additional gross proceeds of $3,000,000 from the issuance of additional convertible notes and warrants, we believe that we can operate according to our current business plan for the next 18 months. To date, we have generated minimal revenues and anticipate that our operating costs will exceed any revenues generated over the next several years. Therefore, we will be required to raise additional capital in the future in order to operate according to our current business plan, and this funding may not be available on favorable terms, if at all. If we are unable to raise additional funds, we will need to do one or more of the following:

delay, scale back or eliminate some or all of our research and development programs;

license third parties to develop and commercialize our technology that we would otherwise seek to develop and commercialize ourselves;

seek strategic alliances or business combinations, or attempt to sell our company; or

cease operations.

In addition, in connection with any funding, if we need to issue more equity securities than our certificate of incorporation currently authorizes, or more than 20% of the shares of our common stock outstanding, we may need stockholder approval. If stockholder approval is not

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obtained or if adequate funds are not available, we may be required to curtail operations significantly or to obtain funds through arrangements with collaborative partners or others that may require us to relinquish rights to certain of our technologies, product candidates, products or potential markets. Investors may experience dilution in their investment from future offerings of our common stock. For example, if we raise additional capital by issuing equity securities, such an issuance would reduce the percentage ownership of existing stockholders. In addition, assuming the exercise of all options and warrants outstanding and the conversion of the notes into common stock, as of March 31, 2008, we had 8,282,537 shares of common stock authorized but unissued and unreserved, which may be issued from time to time by our board of directors without stockholder approval. The total number of shares that may be issued under the financing is subject to certain caps as more fully described in this Form 10-Q. Furthermore, we may need to issue securities that have rights, preferences and privileges senior to our common stock. Failure to obtain financing on acceptable terms would have a material adverse effect on our liquidity.

Since our inception, we have financed all of our operations through private equity and debt financings. Our future capital requirements depend on numerous factors, including:

the scope of our research and development;

our ability to attract business partners willing to share in our development costs;

our ability to successfully commercialize our technology;

competing technological and market developments;

our ability to enter into collaborative arrangements for the development, regulatory approval and commercialization of other products; and

the cost of filing, prosecuting, defending and enforcing patent claims and other intellectual property rights.

Our business depends upon our patents and proprietary rights and the enforcement of these rights. Our failure to obtain and maintain patent protection may increase competition and reduce demand for our technology.

As a result of the substantial length of time and expense associated with developing products and bringing them to the marketplace in the biotechnology and agricultural industries, obtaining and maintaining patent and trade secret protection for technologies, products and processes is of vital importance. Our success will depend in part on several factors, including, without limitation:

our ability to obtain patent protection for our technologies and processes;

our ability to preserve our trade secrets; and

our ability to operate without infringing the proprietary rights of other parties both in the United States and in foreign countries.

As of March 31, 2008, we have been issued seventeen patents by the PTO and nineteen patents from foreign countries. We have also filed numerous patent applications for our technology in the United States and in several foreign countries, which technology is vital to our primary business, as well as several Continuations in Part on these patent applications. Our success depends in part upon the grant of patents from our pending patent applications.

Although we believe that our technology is unique and will not violate or infringe upon the proprietary rights of any third party, we cannot assure you that these claims will not be made or if made, could be successfully defended against. If we do not obtain and maintain patent protection, we may face increased competition in the United States and internationally, which would have a material adverse effect on our business.

Since patent applications in the United States are maintained in secrecy until patents are issued, and since publication of discoveries in the scientific and patent literature tend to lag behind actual discoveries by several months, we cannot be certain that we were the first creator of the inventions covered by our pending patent applications or that we were the first to file patent applications for these inventions.

In addition, among other things, we cannot assure you that:

our patent applications will result in the issuance of patents;

any patents issued or licensed to us will be free from challenge and that if challenged, would be held to be valid;

any patents issued or licensed to us will provide commercially significant protection for our technology, products and processes;

other companies will not independently develop substantially equivalent proprietary information which is not covered by our patent rights;

other companies will not obtain access to our know-how;

other companies will not be granted patents that may prevent the commercialization of our technology; or

we will not require licensing and the payment of significant fees or royalties to third parties for the use of their intellectual property in order to enable us to conduct our business.

Our competitors may allege that we are infringing upon their intellectual property rights, forcing us to incur substantial costs and expenses in resulting litigation, the outcome of which would be uncertain.

Patent law is still evolving relative to the scope and enforceability of claims in the fields in which we operate. We are like most biotechnology companies in that our patent protection is highly uncertain and involves complex legal and technical questions for which legal principles are not yet firmly established. In addition, if issued, our patents may not contain claims sufficiently broad to protect us against third parties with similar technologies or products, or provide us with any competitive advantage.

The PTO and the courts have not established a consistent policy regarding the breadth of claims allowed in biotechnology patents. The allowance of broader claims may increase the incidence and cost of patent interference proceedings and the risk of infringement litigation. On the other hand, the allowance of narrower claims may limit the value of our proprietary rights.

The laws of some foreign countries do not protect proprietary rights to the same extent as the laws of the United States, and many companies have encountered significant problems and costs in protecting their proprietary rights in these foreign countries.

We could become involved in infringement actions to enforce and/or protect our patents. Regardless of the outcome, patent litigation is expensive and time consuming and would distract

our management from other activities. Some of our competitors may be able to sustain the costs of complex patent litigation more effectively than we could because they have substantially greater resources. Uncertainties resulting from the initiation and continuation of any patent litigation could limit our ability to continue our operations.

If our technology infringes the intellectual property of our competitors or other third parties, we may be required to pay license fees or damages.

If any relevant claims of third-party patents that are adverse to us are upheld as valid and enforceable, we could be prevented from commercializing our technology or could be required to obtain licenses from the owners of such patents. We cannot assure you that such licenses would be available or, if available, would be on acceptable terms. Some licenses may be non-exclusive and, therefore, our competitors may have access to the same technology licensed to us. In addition, if any parties successfully claim that the creation or use of our technology infringes upon their intellectual property rights, we may be forced to pay damages, including treble damages.

Our security measures may not adequately protect our unpatented technology and, if we are unable to protect the confidentiality of our proprietary information and know-how, the value of our technology may be adversely affected.

Our success depends upon know-how, unpatentable trade secrets, and the skills, knowledge and experience of our scientific and technical personnel. As a result, we require all employees to agree to a confidentiality provision that prohibits the disclosure of confidential information to anyone outside of our company, during the term of employment and thereafter. We also require all employees to disclose and assign to us the rights to their ideas, developments, discoveries and inventions. We also attempt to enter into similar agreements with our consultants, advisors and research collaborators. We cannot assure you that adequate protection for our trade secrets, know-how or other proprietary information against unauthorized use or disclosure will be available.

We occasionally provide information to research collaborators in academic institutions and request the collaborators to conduct certain tests. We cannot assure you that the academic institutions will not assert intellectual property rights in the results of the tests conducted by the research collaborators, or that the academic institutions will grant licenses under such intellectual property rights to us on acceptable terms, if at all. If the assertion of intellectual property rights by an academic institution is substantiated, and the academic institution does not grant intellectual property rights to us, these events could limit our ability to commercialize our technology.

As we evolve from a company primarily involved in the research and development of our technology into one that is also involved in the commercialization of our technology, we may have difficulty managing our growth and expanding our operations.

As our business grows, we may need to add employees and enhance our management, systems and procedures. We may need to successfully integrate our internal operations with the operations of our marketing partners, manufacturers, distributors and suppliers to produce and market commercially viable products. We may also need to manage additional relationships with various collaborative partners, suppliers and other organizations. Although we do not presently

conduct research and development activities in-house, we may undertake those activities in the future. Expanding our business may place a significant burden on our management and operations. We may not be able to implement improvements to our management information and control systems in an efficient and timely manner and we may discover deficiencies in our existing systems and controls. Our failure to effectively respond to changes may make it difficult for us to manage our growth and expand our operations.

We have no marketing or sales history and depend on third-party marketing partners. Any failure of these parties to perform would delay or limit our commercialization efforts.

We have no history of marketing, distributing or selling biotechnology products and we are relying on our ability to successfully establish marketing partners or other arrangements with third parties to market, distribute and sell a commercially viable product both here and abroad. Our business plan envisions creating strategic alliances to access needed commercialization and marketing expertise. We may not be able to attract qualified sub-licensees, distributors or marketing partners, and even if qualified, these marketing partners may not be able to successfully market agricultural products or human health applications developed with our technology If our current or potential future marketing partners fail to provide adequate levels of sales, our commercialization efforts will be delayed or limited and we may not be able to generate revenue.

We will depend on joint ventures and strategic alliances to develop and market our technology and, if these arrangements are not successful, our technology may not be developed and the expenses to commercialize our technology will increase.

In its current state of development, our technology is not ready to be marketed to consumers. We intend to follow a multi-faceted commercialization strategy that involves the licensing of our technology to business partners for the purpose of further technological development, marketing and distribution. We are seeking business partners who will share the burden of our development costs while our technology is still being developed, and who will pay us royalties when they market and distribute products incorporating our technology upon commercialization. The establishment of joint ventures and strategic alliances may create future competitors, especially in certain regions abroad where we do not pursue patent protection. If we fail to establish beneficial business partners and strategic alliances, our growth will suffer and the continued development of our technology may be harmed.

Competition in the human health and agricultural biotechnology industries is intense and technology is changing rapidly. If our competitors market their technology faster than we do, we may not be able to generate revenues from the commercialization of our technology.

Many human health and agricultural biotechnology companies are engaged in research and development activities relating to apoptosis and senescence. The market for plant protection and yield enhancement products is intensely competitive, rapidly changing and undergoing consolidation. We may be unable to compete successfully against our current and future competitors, which may result in price reductions, reduced margins and the inability to achieve market acceptance for products containing our technology. Our competitors in the field of plant senescence gene technology are companies that develop and produce transgenic plants and

include major international agricultural companies, specialized biotechnology companies, research and academic institutions and, potentially, our joint venture and strategic alliance partners. These companies include: Icoria (formerly Paradigm Genetics); Mendel Biotechnology; Renessen LLC; Exelixis Plant Sciences, Inc.; Syngenta International AG; and Eden Bioscience, among others. Some of our competitors that are involved in apoptosis research include: Amgen; Centocor; Genzyme; OSI Pharmaceuticals, Inc.; Novartis; Introgen Therapeutics, Inc.; Genta, Inc.; and Vertex Pharmaceuticals, Inc. Many of these competitors have substantially greater financial, marketing, sales, distribution and technical resources than us and have more experience in research and development, clinical trials, regulatory matters, manufacturing and marketing. We anticipate increased competition in the future as new companies enter the market and new technologies become available. Our technology may be rendered obsolete or uneconomical by technological advances or entirely different approaches developed by one or more of our competitors, which will prevent or limit our ability to generate revenues from the commercialization of our technology.

Our business is subject to various government regulations and, if we are unable to obtain regulatory approval, we may not be able to continue our operations.

At present, the U.S. federal government regulation of biotechnology is divided among three agencies:

the USDA regulates the import, field testing and interstate movement of specific types of genetic engineering that may be used in the creation of transgenic plants;

the EPA regulates activity related to the invention of plant pesticides and herbicides, which may include certain kinds of transgenic plants; and

the FDA regulates foods derived from new plant varieties.

The FDA requires that transgenic plants meet the same standards for safety that are required for all other plants and foods in general. Except in the case of additives that significantly alter a food s structure, the FDA does not require any additional standards or specific approval for genetically engineered foods, but expects transgenic plant developers to consult the FDA before introducing a new food into the marketplace.

Use of our technology, if developed for human health applications, will also be subject to FDA regulation. The FDA must approve any drug or biologic product before it can be marketed in the United States. In addition, prior to being sold outside of the U.S., any products resulting from the application of our human health technology must be approved by the regulatory agencies of foreign governments. Prior to filing a new drug application or biologics license application with the FDA, we would have to perform extensive clinical trials, and prior to beginning any clinical trial, we need to perform extensive preclinical testing which could take several years and may require substantial expenditures.

We believe that our current activities, which to date have been confined to research and development efforts, do not require licensing or approval by any governmental regulatory agency. However, federal, state and foreign regulations relating to crop protection products and human health applications developed through biotechnology are subject to public concerns and political circumstances, and, as a result, regulations have changed and may change substantially in the

future. Accordingly, we may become subject to governmental regulations or approvals or become subject to licensing requirements in connection with our research and development efforts. We may also be required to obtain such licensing or approval from the governmental regulatory agencies described above, or from state agencies, prior to the commercialization of our genetically transformed plants and human health technology. In addition, our marketing partners who utilize our technology or sell products grown with our technology may be subject to government regulations. If unfavorable governmental regulations are imposed on our technology or if we fail to obtain licenses or approvals in a timely manner, we may not be able to continue our operations.

Preclinical studies and clinical trials of our human health applications may be unsuccessful, which could delay or prevent regulatory approval.

Preclinical studies may reveal that our human health technology is ineffective or harmful, and/or clinical trials may be unsuccessful in demonstrating efficacy and safety of our human health technology, which would significantly limit the possibility of obtaining regulatory approval for any drug or biologic product manufactured with our technology. The FDA requires submission of extensive preclinical, clinical and manufacturing data to assess the efficacy and safety of potential products. Furthermore, the success of preliminary studies does not ensure commercial success, and later-stage clinical trials may fail to confirm the results of the preliminary studies.

Even if we receive regulatory approval, consumers may not accept products containing our technology, which will prevent us from being profitable since we have no other source of revenue.

We cannot guarantee that consumers will accept agricultural products containing our technology. Recently, there has been consumer concern and consumer advocate activism with respect to genetically engineered agricultural consumer products. The adverse consequences from heightened consumer concern in this regard could affect the markets for agricultural products developed with our technology and could also result in increased government regulation in response to that concern. If the public or potential customers perceive our technology to be genetic modification or genetic engineering, agricultural products grown with our technology may not gain market acceptance.

We depend on our key personnel and, if we are not able to attract and retain qualified scientific and business personnel, we may not be able to grow our business or develop and commercialize our technology.

We are highly dependent on our scientific advisors, consultants and third-party research partners. Our success will also depend in part on the continued service of our key employees and our ability to identify, hire and retain additional qualified personnel in an intensely competitive market. Although we have employment agreements with all of our key employees and a research agreement with Dr. Thompson, these agreements may be terminated upon short or no notice. We do not maintain key person life insurance on any member of management. The failure to attract and retain key personnel could limit our growth and hinder our research and development efforts.

Certain provisions of our charter, by-laws and Delaware law could make a takeover difficult.

Certain provisions of our certificate of incorporation and by-laws could make it more difficult for a third party to acquire control of us, even if the change in control would be beneficial to stockholders. Our certificate of incorporation authorizes our board of directors to issue, without stockholder approval, except as may be required by the rules of the American Stock Exchange, 5,000,000 shares of preferred stock with voting, conversion and other rights and preferences that could adversely affect the voting power or other rights of the holders of our common stock. Similarly, our by-laws do not restrict our board of directors from issuing preferred stock without stockholder approval.

In addition, we are subject to the Business Combination Act of the Delaware General Corporation Law which, subject to certain exceptions, restricts certain transactions and business combinations between a corporation and a stockholder owning 15% or more of the corporation s outstanding voting stock for a period of three years from the date such stockholder becomes a 15% owner. These provisions may have the effect of delaying or preventing a change of control of us without action by our stockholders and, therefore, could adversely affect the value of our common stock.

Furthermore, in the event of our merger or consolidation with or into another corporation, or the sale of all or substantially all of our assets in which the successor corporation does not assume outstanding options or issue equivalent options, our board of directors is required to provide accelerated vesting of outstanding options.

Increasing political and social turmoil, such as terrorist and military actions, increase the difficulty for us and our strategic partners to forecast accurately and plan future business activities.

Recent political and social turmoil, can be expected to put further pressure on economic conditions in the United States and worldwide. These political, social and economic conditions may make it difficult for us to plan future business activities.

Risks Related to Our Common Stock

Our management and other affiliates have significant control of our common stock and could significantly influence our actions in a manner that conflicts with our interests and the interests of other stockholders.

As of March 31, 2008, our executive officers, directors and affiliated entities together beneficially own approximately 66.8% of the outstanding shares of our common stock, assuming the exercise of options and warrants which are currently exercisable or will become exercisable within 60 days of March 31, 2008, held by these stockholders. As a result, these stockholders, acting together, will be able to exercise significant influence over matters requiring approval by our stockholders, including the election of directors, and may not always act in the best interests of other stockholders. Such a concentration of ownership may have the effect of delaying or preventing a change in control of us, including transactions in which our stockholders might otherwise receive a premium for their shares over then current market prices.

A significant portion of our total outstanding shares of common stock may be sold in the market in the near future, which could cause the market price of our common stock to drop significantly.

As of March 31, 2008, we had 17,728,314 shares of our common stock issued and outstanding, of which approximately 1,986,306 shares are registered pursuant to a registration statement on Form S-3, which was declared effective on November 27, 2006, and the remainder of which are either eligible to be sold under SEC Rule 144 or are in the public float. In addition, we have registered 2,701,715 shares of our common stock underlying warrants previously issued on the Form S-3 registration statement that was declared effective on November 27, 2006, and we registered 6,000,000 shares of our common stock underlying options granted or to be granted under our stock option plan. We have also filed a registration statement on October 12, 2007, which became effective on November 1, 2007, to register 3,333,333 shares of common stock underlying convertible notes. Consequently, sales of substantial amounts of our common stock in the public market, or the perception that such sales could occur, may have a material adverse effect on our stock price.

Our common stock has a limited trading market, which could limit your ability to resell your shares of common stock at or above your purchase price.

Our common stock is quoted on the American Stock Exchange and currently has a limited trading market. The American Stock Exchange requires us to meet minimum financial requirements in order to maintain our listing. We currently believe that we meet the continued listing requirements of the American Stock Exchange. However, we cannot assure you that we will continue to meet such standards. If we do not meet the continued listing standards, we could be delisted. We cannot assure you that an active trading market will develop or, if developed, will be maintained. As a result, our stockholders may find it difficult to dispose of shares of our common stock and, as a result, may suffer a loss of all or a substantial portion of their investment.

If our common stock is delisted from the American Stock Exchange, we may not be able to list on any other stock exchange, and our common stock may be subject to the penny stock regulations which may affect the ability of our stockholders to sell their shares.

The American Stock Exchange requires us to meet minimum financial requirements in order to maintain our listing. We have received notices from the American Stock Exchange that we do not meet each of Section 1003(a)(ii) of the American Stock Exchange Company Guide with shareholders equity of less than $4,000,000 and losses from continuing operations and/or net losses in three out of our four most recent fiscal years and Section 1003(a)(iii) of the American Stock Exchange Company Guide with shareholders equity less than $6,000,000 and losses from continuing operations and/or net losses in the five most recent fiscal years. We had submitted a plan to the American Stock Exchange discussing how we intended to regain compliance with the continued listing requirements. The American Stock Exchange had accepted our plan and had given us until March 1, 2008 to effectuate the plan and regain compliance with the continued listing requirements. On March 12, 2008, the American Stock Exchange notified us that we have regained compliance with the continued listing requirements. As of March 31, 2008, we believe that we continue to be in compliance with the American Stock Exchange s continued listing requirements. However, if we are unable to continue to be in compliance with the continued listing requirements, it is possible that we will be delisted. If we are delisted from the American Stock Exchange, our common stock likely will become a penny stock. In general, regulations of the SEC define a penny stock to be an equity security that is not listed on a national securities exchange or the NASDAQ Stock Market and that has a market price of less than $5.00 per share or with an exercise price of less than $5.00 per share, subject to certain exceptions. If our common stock becomes a penny stock, additional sales practice requirements would be imposed on broker-dealers that sell such securities to persons other than certain qualified investors. For transactions involving a penny stock, unless exempt, a broker-dealer must make a special suitability determination for the purchaser and receive the purchaser s written consent to the transaction prior to the sale. In addition, the rules on penny stocks require delivery, prior to and after any penny stock transaction, of disclosures required by the SEC.

If our stock is not accepted for listing on the American Stock Exchange, we will make every possible effort to have it listed on the Over the Counter Bulletin Board, or the OTC Bulletin Board. If our common stock were to be traded on the OTC Bulletin Board, the Securities Exchange Act of 1934, as amended, and related SEC rules would impose additional sales practice requirements on broker-dealers that sell our securities. These rules may adversely affect the ability of stockholders to sell our common stock and otherwise negatively affect the liquidity, trading market and price of our common stock.

We believe that the listing of our common stock on a recognized national trading market, such as the American Stock Exchange, is an important part of our business and strategy. Such a listing helps our stockholders by providing a readily available trading market with current quotations. Without that, stockholders may have a difficult time getting a quote for the sale or purchase of our stock, the sale or purchase of our stock would likely be made more difficult and the trading volume and liquidity of our stock would likely decline. The absence of such a listing may adversely affect the acceptance of our common stock as currency or the value accorded it by other parties. In that regard, the absence of a listing on a recognized national trading market will also affect our ability to benefit from the use of our operations and expansion plans, including for

use in licensing agreements, joint ventures, the development of strategic relationships and acquisitions, which are critical to our business and strategy and none of which is currently the subject of any agreement, arrangement or understanding, with respect to any future financing or strategic relationship it may undertake. The delisting from the American Stock Exchange would result in negative publicity and would negatively impact our ability to raise capital in the future.

The market price of our common stock may fluctuate and may drop below the price you paid.

We cannot assure you that you will be able to resell the shares of our common stock at or above your purchase price. The market price of our common stock may fluctuate significantly in response to a number of factors, some of which are beyond our control. These factors include:

quarterly variations in operating results;

the progress or perceived progress of our research and development efforts;

changes in accounting treatments or principles;

announcements by us or our competitors of new technology, product and service offerings, significant contracts, acquisitions or strategic relationships;

additions or departures of key personnel;

future offerings or resales of our common stock or other securities;

stock market price and volume fluctuations of publicly-traded companies in general and development companies in particular; and

general political, economic and market conditions.

Because we do not intend to pay, and have not paid, any cash dividends on our shares of common stock, our stockholders will not be able to receive a return on their shares unless the value of our common stock appreciates and they sell their shares.

We have never paid or declared any cash dividends on our common stock and we intend to retain any future earnings to finance the development and expansion of our business. We do not anticipate paying any cash dividends on our common stock in the foreseeable future. Therefore, our stockholders will not be able to receive a return on their investment unless the value of our common stock appreciates and they sell their shares.

Our stockholders may experience substantial dilution as a result of the conversion of outstanding convertible debentures, or the exercise of options and warrants to purchase our common stock.

As of March 31, 2008, we have granted options outside of our stock option plan to purchase 10,000 shares of our common stock and outstanding warrants to purchase 16,230,261 shares of our common stock. In addition, as of March 31, 2008, we have reserved 6,000,000 shares of our common stock for issuance upon the exercise of options granted pursuant to our stock option plan, 3,805,600 of which have been granted, 90,000 of which have been exercised since inception, 3,715,600 of which are outstanding, and 2,194,400 of which may be granted in the future. The exercise of these options and warrants will result in dilution to our existing stockholders and could have a material adverse effect on our stock price. In addition, any shares issued in connection with the YA Global financing, as further discussed elsewhere in this Form 10-Q, or the Stanford financing can also have a dilutive effect and a possible material adverse effect on our stock price. The conversion price of the warrants are also subject to certain anti-dilution adjustments. The agreements with YA Global and Stanford provide for the potential issuance of up to 62,388,888 shares of our common stock.

Item 6. Exhibits.

Exhibits.

31.1	Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (filed herewith)
31.2	Certification of principal financial and accounting officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (filed herewith)
32.1	Certification of principal executive officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. 1350. (furnished herewith)
32.2	Certification of principal financial and accounting officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. 1350. (furnished herewith)

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SENESCO TECHNOLOGIES, INC.

DATE: May 15, 2008	By:	/s/ Bruce C. Galton Bruce C. Galton, President and Chief Executive Officer (Principal Executive Officer)
DATE: May 15, 2008	By:	/s/ Joel Brooks Joel Brooks, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)