

BOND LABORATORIES, INC.
Form PRER14A
June 07, 2013

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934

Filed by the Registrant [X]
Filed by a Party other than the Registrant []

Check the appropriate box:

- [X] Preliminary Proxy Statement
- [] Confidential, for Use of the SEC Only (as permitted by Rule 14a-6(e)(2))
- [] Definitive Proxy Statement
- [] Definitive Additional Materials
- [] Soliciting Material Pursuant to 14a-12

BOND LABORATORIES, INC.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- [X] No fee required.
- [] Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1. Title of each class of securities to which transaction applies:
2. Aggregate number of securities to which transaction applies:
3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
4. Proposed maximum aggregate value of transaction:
5. Total fee paid:

- [] Fee paid previously with preliminary materials.
- [] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1. Amount Previously Paid:

2. Form, Schedule or Registration Statement No.:
3. Filing Party:
4. Date Filed:

BOND LABORATORIES, INC.
4509 So. 143rd Street, Suite 1
Omaha, Nebraska 68137
(402) 333-5260

June __, 2013

Dear Stockholders of Bond Laboratories, Inc.:

You are cordially invited to attend the 2013 Annual Meeting of Stockholders of Bond Laboratories, Inc., which will be held at the Hampton Inn Omaha West, located at 17606 Arbor Plaza, Omaha, Nebraska 68130, on July 17, 2013 at 10:00 a.m., local time. Details of the business to be conducted at the 2013 Annual Meeting are given in the attached Notice of Annual Meeting of Stockholders and Proxy Statement. In order for us to have an efficient Annual Meeting, please sign, date and return the enclosed proxy promptly in the accompanying reply envelope. If you are able to attend the Annual Meeting and wish to change your proxy vote, you may do so simply by voting in person at the Annual Meeting.

Our Board of Directors has unanimously approved the proposals set forth in the Proxy Statement and we recommend that you vote in favor of each such proposal.

We look forward to seeing you at the Meeting.

Sincerely,

John Wilson
Chief Executive Officer

YOUR VOTE IS IMPORTANT

All stockholders are cordially invited to attend the Annual Meeting in person. However, to ensure your representation at the Annual Meeting, you are urged to complete, sign, date and return, in the enclosed postage paid envelope, the enclosed proxy card as soon as possible. Returning your proxy will help us assure that a quorum will be present at the Annual Meeting and avoid the additional expense of duplicate proxy solicitations. Any stockholder attending the Meeting may vote in person, even if he or she has returned a proxy.

BOND LABORATORIES, INC.
4509 So. 143rd Street, Suite 1
Omaha, Nebraska 68137
(402) 333-5260

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held on July 17, 2013

Dear Stockholders of Bond Laboratories, Inc.:

We are pleased to invite you to attend the 2013 Annual Meeting of Stockholders of Bond Laboratories, Inc., a Nevada corporation, which will be held at the Hampton Inn Omaha West, located at 17606 Arbor Plaza, Omaha, Nebraska 68130, on July 17, 2013 at 10:00 a.m., local time, for the following purposes:

1. To elect three directors to our Board of Directors, each to serve until the next Annual Meeting of stockholders or until his respective successor is elected and qualified;
2. To approve a stockholder resolution to authorize the Board of Directors, in its sole and absolute discretion without further action of the stockholders, to amend our articles of incorporation to implement a reverse stock split of our common stock, par value \$0.001 per share, at a ratio of not less than 1-for-10 and not greater than 1-for-40 at any time prior to December 31, 2014, with the exact ratio to be determined by the Board of Directors;
3. The approval of an amendment to our certificate of incorporation to change our name from "Bond Laboratories, Inc." to "FitLife Brands, Inc.";
4. To conduct an advisory vote to approve the compensation paid to our named executive officers;
5. To conduct an advisory vote to indicate how frequently stockholders believe we should conduct an advisory vote on the compensation of our named executive officers;
6. Ratifying the appointment of Tarvaran Askelson & Company, LLP as our independent auditors for the fiscal year ending December 31, 2013; and
7. Such other matters as may properly come before the Annual Meeting or any adjournment or postponement of the Annual Meeting.

These matters are more fully discussed in the attached Proxy Statement.

The close of business on May 30, 2013 (the "Record Date") has been fixed as the Record Date for the determination of stockholders entitled to notice of, and to vote at, the Annual Meeting or any adjournments or postponements thereof. Only holders of record of common stock and Series C Convertible Preferred Stock at the close of business on the Record Date are entitled to notice of, and to vote at the Annual Meeting. A complete list of stockholders entitled to vote at the Annual Meeting will be available for examination by any of our stockholders for purposes pertaining to the Annual Meeting at our corporate offices, 4509 So. 143rd Street, Suite 1, Omaha, Nebraska 68137, during normal business hours for a period of 10 days prior to the Annual Meeting, and at the time and place of the Annual Meeting. We are providing a copy of our Annual Report on Form 10-K for the year ended December 31, 2012 with the accompanying Proxy Statement.

Whether or not you expect to attend in person, we urge you to vote your shares as promptly as possible by signing and returning the enclosed proxy card in the postage-paid envelope provided, so that your shares may be represented and voted at the Annual Meeting. If your shares are held in the name of a bank, broker or other fiduciary, please follow the instructions on the voting instruction card furnished by the record holder.

Our Board of Directors unanimously recommends that you vote “FOR” the Annual Meeting Proposal Nos. 1, 2, 3, 4 and 6, and vote “EVERY THREE YEARS” for Proposal No. 5, all of which are described in detail in the accompanying Proxy Statement.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON JULY 17, 2013: THE ANNUAL REPORT AND PROXY STATEMENT ARE AVAILABLE ONLINE AT WWW.PROXYCONNECT.COM/BONDLABS

By Order of the Board of Directors,

John Wilson
Chief Executive Officer, President and Director

Omaha, Nebraska
June __, 2013

BOND LABORATORIES, INC.
4509 So. 143rd Street, Suite 1
Omaha, Nebraska 68137
(402) 333-5260

PROXY STATEMENT

The enclosed proxy is solicited on behalf of the Board of Directors of Bond Laboratories, Inc., a Nevada corporation, for use at the 2013 Annual Meeting of Stockholders to be held on July 17, 2013 at 10:00 a.m., local time, and at any adjournment or postponement thereof, at the Hampton Inn Omaha West, located at 17606 Arbor Plaza, Omaha, Nebraska 68130. These proxy solicitation materials were mailed on or about June __, 2013, to all stockholders entitled to notice of, and to vote at our Annual Meeting.

Voting

The specific proposals to be considered and acted upon at our Annual Meeting are summarized in the accompanying notice and are described in more detail in this Proxy Statement. On May 30, 2013, the Record Date for determination of stockholders entitled to notice of and to vote at the Annual Meeting, we had outstanding 77,753,482 shares of our common stock and 125 shares of our Series C Convertible Preferred Stock (“Series C Preferred”). Additionally, on the Record Date, we had 0 shares of Series A Convertible Preferred Stock (“Series A Preferred”) and 103.3 shares of Series B 10% Cumulative Preferred Stock (“Series B Preferred”) outstanding, which shares are not entitled to notice of or to vote at the Annual Meeting. Each holder of common stock is entitled to one vote for each share of common stock, while each holder of Series C Preferred is entitled to 40,000 votes per share of Series C Preferred held, subject to certain limitations as set forth in the Certificate of Designations, Preferences and Rights of Series C Convertible Preferred Stock. As of the Record Date, the outstanding shares represented 82,753,482 votes, consisting of 77,753,482 attributable to common stock and 5,000,000 attributable to Series C Preferred.

Quorum

In order for any business to be conducted at the Annual Meeting, the holders of more than 50% of the shares entitled to vote must be represented at the Meeting, either in person or by properly executed proxy. If a quorum is not present at the scheduled time of the Annual Meeting, the stockholders who are present may adjourn the Annual Meeting until a quorum is present. The time and place of the adjourned Meeting will be announced at the time the adjournment is taken, and no other notice will be given. An adjournment will have no effect on the business that may be conducted at the Annual Meeting.

Required Vote for Approval

Proposal No. 1: Election of Directors. For the three nominees who receive the greatest number of votes cast at the Annual Meeting by the shares present in person or by proxy and entitled to vote will be elected;

Proposal No. 2: Reverse Stock Split. For the approval of a stockholder resolution to authorize the Company’s Board of Directors to amend our articles of incorporation to implement a reverse stock split of our common stock at a ratio of not less than 1-for-10, but not greater than 1-for-40 at any time prior to December 31, 2014, with the exact ratio to be determined by the Board of Directors, the number of votes cast “FOR” must exceed the number of votes cast “AGAINST” this Proposal;

Proposal No. 3: Change of Company Name. For the approval of an amendment to our certificate of incorporation to change our name from “Bond Laboratories, Inc.” to “FitLife Brands, Inc.” The number of votes cast “FOR” must exceed the number of votes cast “AGAINST” this Proposal;

Proposal No. 4: Advisory Vote to Approve Executive Compensation. This advisory vote is not binding on us, our board of directors, or management. The number of votes cast “FOR” must exceed the number of votes cast “AGAINST” this Proposal to approve the compensation paid to the Company’s named executive officers;

Proposal No. 5: Advisory Vote to Approve the Frequency of Advisory Votes on Executive Compensation. This advisory vote to approve the frequency of the advisory votes on executive compensation is not binding on us, our board of directors, or management. A stockholder may vote to set the frequency of the “say on pay” vote to occur “EVERY YEAR”, “EVERY TWO YEARS”, “EVERY THREE YEARS”, or the stockholder may vote to “ABSTAIN”. The choice among these four choices that receives the highest number of votes will be deemed the choice of the stockholders; and

No. 6: Ratification of Appointment of Auditors. To ratify the appointment of Tarvaran Askelson & Company, LLP as our independent auditors for the fiscal year ending December 31, 2013, the number of votes cast “FOR” must exceed the number of votes cast “AGAINST” this Proposal.

Abstentions and Broker Non Votes

All votes will be tabulated by the inspector of election appointed for the Annual Meeting, who will separately tabulate affirmative and negative votes, abstentions and broker non-votes. An abstention is the voluntary act of not voting by a stockholder who is present at a meeting and entitled to vote. A broker “non-vote” occurs when a broker nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary power for that particular item and has not received instructions from the beneficial owner. If you hold your shares in “street name” through a broker or other nominee, your broker or nominee may not be permitted to exercise voting discretion with respect to some of the matters to be acted upon. If you do not give your broker or nominee specific instructions regarding such matters, your proxy will be deemed a “broker non-vote.”

Under Nevada law, abstentions and broker non-votes are not counted as votes cast on an item and therefore will not affect the outcome of any Proposal, although they are counted for purposes of determining whether there is a quorum present at the Annual Meeting.

Proxies

If the enclosed form of proxy is properly signed and returned, the shares represented thereby will be voted at the Annual Meeting in accordance with the instructions specified thereon. If you sign and return your proxy without specifying how the shares represented thereby are to be voted, the proxy will be voted (i) FOR the election of three directors nominated by our Board, (ii) FOR the reverse stock split, (iii) FOR the change of the Company name to FitLife Brands, Inc., (iv) FOR the advisory vote to approve executive compensation, (v) to hold advisory votes on executive compensation EVERY THREE YEARS, (vi) FOR ratification of the appointment of Tarvaran Askelson & Company, LLP as our independent auditors for fiscal year 2013, and (vii) at the discretion of the proxy holders on any other matter that may properly come before the Annual Meeting or any adjournment or postponement thereof.

You may revoke or change your proxy at any time before the Annual Meeting by filing with our Corporate Secretary at our principal executive offices at 4509 So. 143rd Street, Suite 1, Omaha, Nebraska 68137, a notice of revocation or another signed proxy with a later date. You may also revoke your proxy by attending the Annual Meeting and voting in person. Attendance at the Meeting alone will not revoke your proxy. If you are a stockholder whose shares are not

registered in your own name, you will need additional documentation from your broker or record holder to vote personally at the Annual Meeting.

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Solicitation

We will bear the entire cost of solicitation, including the preparation, assembly, printing and mailing of this Proxy Statement, the proxy and any additional solicitation materials furnished to the stockholders. Copies of any solicitation materials will be furnished to brokerage houses, fiduciaries and custodians holding shares in their names that are beneficially owned by others so that they may forward this solicitation material to such beneficial owners. In addition, we may reimburse such persons for their costs in forwarding the solicitation materials to such beneficial owners. The original solicitation of proxies by mail may be supplemented by a solicitation by telephone, facsimile or other means by our directors, officers or employees. No additional compensation will be paid to these individuals for any such services. Except as described above, we do not presently intend to solicit proxies other than by mail and telephone.

MATTERS TO BE CONSIDERED AT ANNUAL MEETING

PROPOSAL NO. 1

ELECTION OF DIRECTORS

General

Our Certificate of Incorporation and Bylaws provide that the Board of Directors shall consist of not less than one, nor more than nine directors, and that upon any change in the number of members, any newly created directorships or eliminated directorships shall be apportioned by the remaining members of the Board of Directors or by stockholders. The Company's Board of Directors currently consists of three directors, and these three directors are nominated for election at the Annual Meeting. Each nominee has confirmed that he will be able and willing to serve as a director if elected. If any of the nominees becomes unable or unwilling to serve, your proxy will be voted for the election of a substitute nominee recommended by the current Board of Directors. Upon recommendation of the Board of Directors, the Board of Directors has nominated for election as directors at our Annual Meeting Messrs. John S. Wilson, Michael Abrams and Lewis Jaffe.

The Company presently intends to expand the Board of Directors to add additional independent members; however, only the three nominees set forth in this Proxy Statement are currently nominated for election at our Annual Meeting.

Required Vote and Recommendation

The election of directors requires the affirmative vote of a plurality of the voting shares present or represented by proxy and entitled to vote at the Annual Meeting. The three nominees receiving the highest number of affirmative votes will be elected. Unless otherwise instructed or unless authority to vote is withheld, shares represented by executed proxies will be voted "FOR" the election of the nominees.

The Board of Directors recommends that the stockholders vote "FOR" the election of Messrs. Wilson, Abrams and Jaffe.

The following sections sets forth certain information regarding the nominees for election as directors of the Company. There are no family relationships between any directors and executive officers.

Name	Served as Director Since	Age	Principal Business Experience
John S. Wilson	2009	49	<p>Mr. Wilson is our Chief Executive Officer, President, and Director, and has over eighteen years of invaluable experience at both the Coca-Cola Company and Coca-Cola Enterprises. Most recently, Mr. Wilson was responsible for negotiating exclusive bottling agreements with national customers on behalf of all seventy-three of the Coca-Cola Bottlers in the United States. Mr. Wilson holds a Master of Business Administration degree from St. Louis University.</p> <p>The Board of Directors believes that Mr. Wilson's extensive experience with a Fortune 500 company involved in managing distribution relationships, and his success at growing the Company's revenue since joining the Company as Chief Executive Officer in 2009, provides substantial value to the Board of Directors.</p>
Michael Abrams	2010	43	<p>Mr. Abrams is our Chief Financial Officer and Director. Mr. Abrams also serves as a partner at Burnham Hill Capital Group, a New York-based financial advisory, consulting, investment and merchant-banking firm he joined in August of 2003, and sits on the Board of Directors of QuantRx Biomedical Corporation, a publicly traded company. Mr. Abrams holds a Masters of Business Administration with Honors from the Booth School of Business at the University of Chicago.</p> <p>The Board of Directors believes that Mr. Abrams' broad experience as an executive, investor, public company director, investment banker and restructuring expert, primarily but not limited to public companies, provides necessary and relevant experience to the Board of Directors in its deliberations.</p>
Lewis Jaffe	2010	56	<p>Mr. Jaffe is the Chairman of our Board of Directors, and currently the Chief Executive Officer of MoviMe Network, Inc. ("MoviMe"), a high speed, mobile movie and content downloading service and application. Prior to MoviMe, Mr. Jaffe was a principal at Jaffe & Associates ("J&A"), a consulting and advisory firm that provides strategic and tactical planning to mid-market companies and CEO coaching to their executives. Prior to 2009, Mr. Jaffe was Interim Chief Executive Officer and President of Oxford Media, Inc., where he served from 2006 to 2008. Mr. Jaffe has also served in executive management positions with Verso Technologies, Inc., Wireone Technologies, Inc., Pictoretel Corporation, and was also previously a Managing Director of Arthur Andersen. Mr. Jaffe is a graduate of the Stanford Business School Executive Program, and holds a Bachelor of Science from LaSalle University. Mr. Jaffe also served on the Board of Directors of Benihana, Inc. as its lead independent director from 2004 to 2012.</p> <p>The Board of Directors believes that Mr. Jaffe's experience as a CEO of both public and private companies and consultant providing strategic and tactical planning to public companies provides the Company with a depth of knowledge, systems and best practices. He also holds an advanced directors certification from the American College of Public Company Directors. His experience is invaluable on the strategic and operations side of our business and Mr. Jaffe is</p>

our corporate governance expert. He adds significant value to the Board of Directors and management as the Company executes its business plan.

There have been no events under any bankruptcy act, no criminal proceedings and no judgments or injunctions material to the evaluation of the ability and integrity of any director or nominee during the past ten years.

CORPORATE GOVERNANCE, BOARD COMPOSITION AND BOARD COMMITTEES

Term of Office

Pursuant to our bylaws, each member of our Board of Directors shall serve from the time they are duly elected and qualified, until the next Annual Meeting of stockholders or their until death, resignation or removal from office.

Board Member Independence

Although our common stock is not yet listed on a national securities exchange, we have elected to retain the NASDAQ listing standards to determine director independence. Only Mr. Jaffe is independent (as independence is defined under NASDAQ listing standards).

Board Structure

The Board does not have a policy regarding the separation of the roles of the Chief Executive Officer and Chairman of the Board, as the Board believes it is in the best interest of the Company and its stockholders to make that determination based on the position and direction of the Company and the membership of the Board, from time to time. Currently, Mr. Jaffe, an outside director, currently serves as our Chairman of the Board. Mr. Wilson currently serves as our principal executive officer and as a director.

Board Risk Oversight

Our Board administers its oversight function through both regular and special meetings and by frequent telephonic updates with our senior management. A key element of these reviews is gathering and assessing information relating to risks of our business. All business is exposed to risks, including unanticipated or undesired events or outcomes that could impact an enterprise's strategic objectives, organizational performance and stockholder value. A fundamental part of risk management is not only understanding such risks that are specific to our business, but also understanding what steps management is taking to manage those risks and what level of risk is appropriate for us. In setting our business strategy, our Board assesses the various risks being mitigated by management and determines what constitutes an appropriate level of risk.

While our Board has the ultimate oversight responsibility for our risk management process, various committees of our Board also have responsibility for risk management. In particular, the Audit Committee focuses on financial risk, including internal controls, and the assessments of risks reflected in audit reports. Legal and regulatory compliance risks are also reviewed by our Audit Committee. Risks related to our compensation programs are reviewed by the Compensation Committee. Our Board is advised by the committees of significant risks and management's response via periodic updates.

Board Meetings

During the year ended December 31, 2012, the Board held three regular meetings, in addition to telephonic special meetings of the Board. Each director attended or participated in 75% or more of (i) the total number of meetings of the Board during his term of service and (ii) the total number of meetings held during his term of service by all committees of the Board on which such director served during fiscal 2012. We also encourage all members of the Board to attend each of our annual meetings of stockholders.

Board Committees and Charters

The Board has a standing Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee. The Board appoints the members and chairpersons of these committees. The Board has determined that only Mr. Jaffe is independent. Each committee has a written charter approved by the Board. Copies of each committee charter is available by making a request to the Company's Corporate Secretary at 4509 S 143rd Street, Suite 1, Omaha, Nebraska 68137.

Audit Committee

Member: Lew Jaffe (Chairman)

The Company presently intends to add additional members to the Audit Committee following the expansion of the Board of Directors to add additional independent members.

Number of Meetings in

2012: The Audit Committee held three meetings during 2012.

Functions:

The Audit Committee assists the Board in fulfilling its legal and fiduciary obligations in matters involving the Company's accounting, auditing, financial reporting, internal control and legal compliance functions by approving the services performed by the Company's independent accountants and reviewing their reports regarding the Company's accounting practices and systems of internal accounting controls. The Audit Committee is responsible for the appointment, compensation, retention and oversight of the independent accountants and for ensuring that the accountants are independent of management.

Compensation Committee

Member: Lew Jaffe (Chairman)

The Company presently intends to add additional members to the Compensation Committee following the expansion of the Board of Directors to add additional independent members.

Number of Meetings in

2012: The Compensation Committee held three meetings during 2012.

Functions:

The Compensation Committee determines the Company's general compensation policies and practices, and reviews and approves compensation packages for the Company's officers and, based upon such review, recommends overall compensation packages for the officers to the Board. The Compensation Committee also reviews and determines equity-based compensation for the Company's directors, officers, employees and consultants and administers the Company's stock option plans.

Nominating and Corporate Governance Committee

Member: Lew Jaffe (Chairman)

The Company presently intends to add additional members to the Nominating and Corporate Governance Committee following the expansion of the Board of Directors to add additional independent members.

Number of Meetings in 2012:

The Nominating and Corporate Governance Committee held one meeting during 2012.

Functions:

The Nominating and Corporate Governance Committee is responsible for making recommendations to the Board regarding candidates for directorships and the size and composition of the Board and for overseeing the Company's corporate governance guidelines and reporting and making recommendations to the Board concerning corporate governance matters.

Stockholder Communications with the Board of Directors

Our Board of Directors provides stockholders with the ability to send communications to the Board of Directors, and stockholders may do so at their convenience. In particular, stockholders may send their communications to: Board of Directors, c/o Corporate Secretary, Bond Laboratories, Inc., 4509 S 143rd Street, Suite 1, Omaha, Nebraska 68137. All communications received by the Corporate Secretary are relayed to the Board of Directors of the Company. Members of the Board of Directors are not required to attend the Annual Stockholders Meeting.

PROPOSAL NO. 2

AMENDMENT TO ARTICLES OF INCORPORATION TO AFFECT A REVERSE STOCK SPLIT

General

The Board of Directors has approved, declared advisable and recommends that our stockholders approve a proposal to amend our articles of incorporation to implement a reverse stock split of our common stock (the "Reverse Split") at a ratio between 1-for-10 (1:10) and 1-for-40 (1:40), in the form set forth in Appendix A to this Proxy Statement (the "Amendment"). A vote for this Proposal No. 2 will constitute approval of the Amendment that, once filed with the Office of the Secretary of State of Nevada, will combine between ten (10) and forty (40) shares of our common stock into one share of common stock, and will grant the Board of Directors the authority to select which of the approved Reverse Split ratios within that range will be implemented.

If this Proposal No. 2 is approved by stockholders, the Board of Directors will have the authority, but not the obligation, in its sole and absolute discretion, and without further action on the part of the stockholders, to select one of the approved split ratios and effect the approved Reverse Split by filing the Amendment with the office of the Secretary of State of Nevada at any time after the Board's approval of the Reverse Split ratio. If the Amendment has not been filed with the Nevada Secretary of State by the close of business on December 31, 2014, the Board will abandon the Amendment.

If approved, and the Board of Directors elects to implement the Reverse Split, this Proposal No. 2 will have the effect of increasing the number of shares available for future issuance. The Company currently does not have any plans with respect to the potential increased number of shares of our common stock that may be available for issuance in the event stockholders approve this Proposal, and the Board of Directors elect to implement the Reverse Split. If implemented, the Reverse Split will not change the par value of our common stock. Except for any changes as a result of the treatment of fractional shares, each stockholder will hold the same percentage of common stock outstanding immediately following to the Reverse Split as such stockholder held immediately prior to the Reverse Split.

Purpose and Background of the Reverse Stock Split

Our primary objective in proposing the Reverse Split is to attempt to raise the per share trading price of our common stock in order to gain listing on the NYSE MKT or NASDAQ exchange (in either case, an "Exchange"). Before our common stock may be listed on an Exchange, we must satisfy certain listing requirements. One of these listing requirements is that our common stock must have a minimum bid price of \$3.00 per share. On May 30, 2013, the closing price of our common stock on the OTC Bulletin Board was \$0.10 per share.

We anticipate that the Reverse Split will increase the per share bid price per share of our common stock above \$3.00, and thereby satisfy one of the Exchange's listing requirements. However, we cannot be certain that the Reverse Split will, initially or in the future, have the intended effect of raising the bid price of our common stock above \$3.00 per

share.

In addition to our desire to be listed on an Exchange, the Board of Directors believes that the low market price of our common stock impairs our marketability and acceptance by institutional investors and other members of the investing public, and creates a negative impression of the Company. Theoretically, decreasing the number of shares of common stock outstanding should not, by itself, affect the marketability of the shares, the type of investor who would be interested in acquiring them, or our reputation in the financial community. In practice, however, many investors and market makers consider low-priced stocks as unduly speculative in nature and, as a matter of policy, avoid investment and trading in such stocks. The presence of these negative perceptions may adversely affect not only the pricing of our common stock but also the trading liquidity. In addition, these perceptions may affect our commercial business and our ability to raise additional capital through equity and debt financings.

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We expect that the decrease in the number of outstanding shares of our common stock resulting from the Reverse Split, and the anticipated increase in the per share trading price will encourage greater interest in our common stock among members of the financial community and the investing public and possibly create a more liquid market for our stockholders. However, the possibility exists that stockholder liquidity may be adversely affected by the reduced number of shares outstanding if the Reverse Split is affected, particularly if the price per share of our common stock begins a declining trend after the Reverse Split takes effect.

Certain Risk Factors Associated with the Reverse Split

Reduced Market Capitalization. As noted above, the principal purpose of the Reverse Split, if implemented, will be to raise the price of our common stock to obtain a listing on an Exchange. We cannot assure you, however, that the Reverse Split will accomplish this objective. While we expect that the reduction in our outstanding shares of common stock will increase the market price of our common stock, we cannot assure you that the Reverse Split will increase the market price of our common stock by a multiple equal to the number of pre-Reverse Split shares in the Reverse Split ratio determined by the Board of Directors, or result in any permanent increase in the market price, which can be dependent upon many factors, including our business and financial performance and prospects. Should the market price decline after implementation of the Reverse Split, the percentage decline may be greater, due to the smaller number of shares outstanding, than it would have been prior to the Reverse Split. In some cases the share price of companies that have implemented reverse stock splits has subsequently declined back to pre-reverse split levels. Accordingly, we cannot assure you that the market price of our common stock immediately after the Reverse Split takes effect will be maintained for any period of time or that the ratio of post and pre-split shares will remain the same after the Reverse Split is effected, or that the Reverse Split will not have an adverse effect on our stock price due to the reduced number of shares outstanding after the Reverse Split. A reverse stock split is often viewed negatively by the market and, consequently, can lead to a decrease in our overall market capitalization. If the per share price does not increase proportionately as a result of the Reverse Split, then our overall market capitalization will be reduced.

Increased Transaction Costs. The number of shares held by each individual stockholder will be reduced if the Reverse Split is implemented. This will increase the number of stockholders who hold less than a “round lot,” or 100 shares. Typically, the transaction costs to stockholders selling “odd lots” are higher on a per share basis. Consequently, the Reverse Split could increase the transaction costs to existing stockholders in the event they wish to sell all or a portion of their position.

Liquidity. Although the Board of Directors believes that the decrease in the number of shares of our common stock outstanding as a consequence of the Reverse Split and the anticipated increase in the price of our common stock could encourage interest in our common stock and possibly promote greater liquidity for our stockholders, such liquidity could also be adversely effected by the reduced number of shares outstanding after the Reverse Split.

Increased in Authorized Common Stock. If implemented, the Reverse Split will have the effect of reducing the number of shares of common stock issued and outstanding without reducing the total number of authorized shares of common stock. As a result, approval of this Proposal No. 2, if implemented by the Board of Directors, will have the effect of increasing the number of authorized but unissued shares. The Company would therefore have the ability to issue additional shares of common stock, or securities convertible or exercisable into shares of common stock, without stockholder approval. The Company currently does not have any plans to issue additional shares of common stock, or shares convertible or exercisable into shares of common stock in the event this Proposal No. 2 is approved, and the Reverse Split is implemented.

No Appraisal Rights

Under the Nevada General Corporation Law, our stockholders are not entitled to appraisal rights with respect to the Reverse Split, and the Company is not independently providing and has not so provided stockholders with any such right.

Determination of the Ratio for the Reverse Stock Split

The ratio of the Reverse Split will be determined by the Board of Directors, in its sole discretion. However, the ratio will not be less than a ratio of one-for-ten (1:10) or exceed a ratio of one-for-forty (1:40). In determining the Reverse Split ratio, the Board of Directors will consider numerous factors, including the historical and projected performance of our common stock, prevailing market conditions and general economic trends, and will place emphasis on the expected closing price of our common stock in the period following the effectiveness of the Reverse Split. The Board of Directors will also consider the impact of the Reverse Split ratio on investor interest. The purpose of selecting a range is to give the Board of Directors the flexibility to meet business needs as they arise, to take advantage of favorable opportunities and to respond to a changing corporate environment. Based on the number of shares of common stock issued and outstanding as of the Record Date, after completion of the Reverse Split, we will have approximately between 1,943,837 and 7,775,348 million shares of common stock issued and outstanding, depending on the ratio of the Reverse Split determined by the Board of Directors.

The following table sets forth the approximate number of issued and outstanding shares of common stock, and net income per share for the year ended December 31 2012, in the event of a 1:10 to 1:40 Reverse Split:

Current