Genesis Fluid Solutions Holdings, Inc.
Form S-1
April 15, 2010

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As filed with the Securities and Exchange Commission on April 15, 2010
Registration No. 333-

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form S-1
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933
GENESIS FLUID SOLUTIONS HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**3531**	**98-0531496**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

830 Tender Foot Hill Road #301
Colorado Springs, CO 80906
(719) 332-7447
(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Michael Hodges
Interim Chief Executive Officer
830 Tender Foot Hill Road #301
Colorado Springs, CO 80906
(719) 332-7447
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:
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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.
If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. þ
If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act of 1933 registration statement number of the earlier effective registration statement for the same offering. o
If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o
If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o
Indicate by a check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the 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 o Smaller Reporting Company þ
(Do not check if a smaller reporting company)

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common stock, par value $0.001 per share	7,027,500	$ 3.40(2)	$ 23,893,500	$ 1,703.61
Common stock, par value $0.001 per share, upon exercise of warrants issued to investors	3,412,500	$ 3.40(3)	$ 11,602,500	$ 827.26
Common stock, par value $0.001 per share, currently being held in escrow	1,300,000	$ 3.40(2)	$ 4,420,000	$ 315.15
Common stock, par value $0.001 per share, upon exercise of warrants issued to the placement agents	107,500	$ 3.40(3)	$ 365,500	$ 26.06
Total	11,847,500	$ 3.40	$ 40,281,500	$ 2,872.07

(1) Pursuant to Rule 416 under the Securities Act, the shares of common stock offered hereby also include an indeterminate number of additional shares of common stock as may from time to time become issuable by reason of anti-dilution provisions, stock splits, stock dividends, recapitalizations or other similar transactions.

(2) With respect to the shares of common stock offered by the selling stockholders named herein, estimated at $3.40 per share, the average of the high and low prices of the common stock as reported on the OTC Bulletin Board on April 12, 2010, for the purpose of calculating the registration fee in accordance with Rule 457(c) under the Securities Act.

(3) Estimated at $3.40 per share, the average of the high and low prices of the common stock as reported on the OTC Bulletin Board on April 12, 2010, for the purpose of calculating the registration fee in accordance with Rule 457(g)(3) under the Securities Act.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED APRIL 15, 2010

PRELIMINARY PROSPECTUS

11,847,500 Shares

Genesis Fluid Solutions Holdings, Inc.

Common Stock

This prospectus relates to the sale by the selling stockholders identified in this prospectus of up to 11,847,500 shares of our common stock, which includes (i) 7,027,500 shares issued to investors in a private placement; (ii) 3,412,500 shares issuable upon the exercise of warrants with an exercise price of $2.00 per share; (iii) 1,300,000 shares issued in connection with the Merger, which are being held in escrow for three years in order to cover certain potential claims, indebtedness and liabilities, including potential tax liabilities, of Genesis Fluid Solutions; and (iv) 107,500 shares issuable upon the exercise of warrants with an exercise price of $1.25 per share. All of these shares of our common stock are being offered for resale by the selling stockholders.

The prices at which the selling stockholders may sell shares will be determined by the prevailing market price for the shares or in negotiated transactions. We will not receive any proceeds from the sale of these shares by the selling stockholders. However, we will receive proceeds from the exercise of the warrants if they are exercised for cash by the selling stockholders.

We will bear all costs relating to the registration of these shares of our common stock, other than any selling stockholders legal or accounting costs or commissions.

Our common stock is quoted on the regulated quotation service of the OTC Bulletin Board under the symbol GSFL.OB . The last reported sale price of our common stock as reported by the OTC Bulletin Board on April 12, 2010, was $3.40 per share.

Investing in our common stock is highly speculative and involves a high degree of risk. You should carefully consider the risks and uncertainties described under the heading Risk Factors beginning on page 8 of this prospectus before making a decision to purchase our common stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2010

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You should rely only on the information contained in this prospectus. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where an offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

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PROSPECTUS SUMMARY

The following summary highlights information contained elsewhere in this prospectus. This summary may not contain all of the information that may be important to you. You should read this entire prospectus carefully, including the sections entitled Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations and our historical financial statements and related notes included elsewhere in this prospectus. In this prospectus, unless otherwise noted, the terms the Company, we, us, and our refer to Genesis Fluid Solutions Holdi Inc., and its subsidiary, Genesis Fluid Solutions, Ltd.

Overview

We are engaged in the design and development of waterway restoration and water remediation technologies for the environmental, mining and paper industries. Our patented Rapid Dewatering System (RDS) removes different types of debris, sediments, and contaminates from waterways and industrial sites, which assists in the recovery of lakes, canals, reservoirs and harbors. The RDS system separates water from the solid materials that are dredged, a process that is known as dewatering. Because of the scalability of the equipment, the small footprint required, and our own real time rapid dewatering capabilities, our RDS can remove thousands of cubic yards of sediment per day, and return clear water to waterways at rates of two thousand or more gallons per minute. We believe we accomplish this at significantly lower costs than our competitors.

After demonstrating proof of concept on a port restoration project in California, we were acknowledged by the Water Board for the State of California, the United States Environmental Protection Agency and the United States Army Corps of Engineers as having an innovative technology acceptable for the restoration of both contaminated and non-contaminated waterways. We believe our technologies have a variety of benefits for both industry and the environment.

Our History

Our wholly-owned subsidiary, Genesis Fluid Solutions, Ltd., began operations in 1994 as a sole proprietorship owned by our founder, Michael Hodges, and was incorporated in Colorado in 2005. Genesis Fluid Solutions is engaged in the design and development of waterway restoration and water remediation technology and equipment for the environmental, mining and paper industries. Genesis Fluid Solutions holds various United States and international patents and patent applications on water restoration and remediation technology, seeks to license the technology and equipment to others, and seeks to enter into contracts for the performance of water restoration and remediation. To date, Genesis Fluid Solutions has not generated material revenues or earnings as a result of its activities. As a result of the Merger, Genesis Fluid Solutions became a wholly-owned subsidiary of the Company and the Company succeeded to the business of Genesis Fluid Solutions as its sole line of business.

On October 30, 2009, we filed an Amended and Restated Certificate of Incorporation in order to, among other things, change our name from Cherry Tankers Inc. to Genesis Fluid Solutions Holdings, Inc. and authorize a class of blank check preferred stock.

On October 30, 2009, we entered into an Agreement of Merger and Plan of Reorganization with Genesis Fluid Solutions, Ltd., a privately held Colorado corporation (Genesis Fluid Solutions), and Genesis Fluid Solutions Acquisition Corp., our newly formed, wholly-owned Delaware subsidiary (Acquisition Sub). Upon closing of the transaction contemplated under the Agreement of Merger and Plan of Reorganization (the Merger), Acquisition Sub merged with and into Genesis Fluid Solutions. Genesis Fluid Solutions, as the surviving corporation, became a

wholly-owned subsidiary of the Company, and the Company succeeded to the business of Genesis Fluid Solutions as its sole line of business.

At the closing of the Merger, each share of Genesis Fluid Solutions common stock issued and outstanding immediately prior to the closing of the Merger was exchanged for the right to receive 10 shares of our common stock. To the extent that there were fractional shares, the fractional shares were rounded to the nearest whole share. Accordingly, an aggregate of 9,481,000 shares of our common stock were issued to the holders of Genesis Fluid Solutions common stock. Of the 9,481,000 shares issued in the Merger, 1,300,000 shares issuable to Michael Hodges, the founder and former chief executive officer of Genesis Fluid Solutions, were agreed to be set aside in

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escrow and held for three years in order to provide for certain liabilities, including potential tax liabilities, of Genesis Fluid Solutions (the Escrow Agreement, as more fully described below).

Following the closing of the Merger, the Company issued 273 units in a private placement (the Private Placement), consisting of an aggregate of 7,027,500 shares of the Company s common stock and three-year callable warrants to purchase an aggregate of 3,412,500 shares of common stock exercisable at $2.00 per share, for $25,000 per unit. Colorado Financial Service Corporation, WFG Investments, Inc., Legend Merchant Group, and Jesup & Lamont Securities Corp. (the Placement Agents) served as the Company s placement agents for certain of the investors in the Private Placement, and received two-year warrants, exercisable at $1.25 per share, to purchase 33,000, 14,000, 8,000 and 2,500 shares of common stock, respectively, equal to 2% of the number of shares investors purchased through the respective Placement Agents. GarWood Securities LLC received two-year warrants, exercisable at $1.25 per share to purchase 50,000 shares of common stock. All of the shares issued in the Private Placement, as well as the shares of common stock underlying the warrants issued to investors and the Placement Agents, are subject to a registration rights agreement under which we are obligated to seek registration of the shares within 180 days of the final closing date of the Private Placement. Holders of our shares issued in the Private Placement also have the right to seek piggyback registration of their shares in certain circumstances, other than with respect to registration of shares held under the Escrow Agreement.

Upon the closing of the Merger, Reuven Gepstein and Yael Alush resigned as our officers and directors and, simultaneously with the Merger, a new board of directors and new officers were appointed. The new board of directors consists of Michael Hodges, Mary Losty, John Freshman, and Robert Stempel.

On October 30, 2009, immediately following the closing of the Merger and the initial closing of Private Placement, under an Agreement of Conveyance, Transfer and Assignment of Assets and Assumption of Obligations (the Conveyance Agreement), we also transferred all of our pre-Merger assets and liabilities to our wholly-owned subsidiary, Cherry Tankers Holdings, Inc. (SplitCo). Thereafter, pursuant to a stock purchase agreement (the Stock Purchase Agreement), we transferred all of the outstanding capital stock of SplitCo to certain of our stockholders in exchange for the cancellation of 12,545,000 shares of our common stock (the Split-Off), with 1,160,000 shares of common stock held by persons who were stockholders of ours prior to the Merger remaining outstanding. These 1,160,000 shares constitute our public float, are our only shares of registered common stock and, accordingly, are our only shares available for resale without further registration.

The foregoing description of certain changes to our Certificate of Incorporation, the Merger and the Split-Off does not purport to be complete and is qualified in its entirety by reference to the complete text of (i) the Amended and Restated Certificate of Incorporation, which is filed as Exhibit 3.1 hereto, (ii) the Agreement of Merger and Plan of Reorganization, which is filed as Exhibit 2.1 hereto, (iii) the Escrow Agreement, which is filed as Exhibit 10.19 hereto, (iv) the Conveyance Agreement, which is filed as Exhibit 10.12 hereto, and (v) the Stock Purchase Agreement, which is filed as Exhibit 10.13 hereto, each of which is incorporated herein by reference.

The foregoing description of the Private Placement does not purport to be complete and is qualified in its entirety by reference to the complete text of the (i) Form of Subscription Agreement, which is filed as Exhibit 10.1 hereto, (ii) Form of Warrant, which is filed as Exhibit 10.2 hereto, (iii) Form of Placement Agent Warrant, which is filed as Exhibit 10.7 hereto, and (iv) Form of Registration Rights Agreement, which is filed as Exhibit 10.3 hereto, each of which is incorporated herein by reference.

Following (i) the closing of the Merger, (ii) the final closing of the Private Placement for an aggregate of $6,825,000 (which includes the conversion of $675,000 of bridge notes), and (iii) the cancellation of 12,545,000 shares in the Split-Off, there were 17,668,500 shares of common stock issued and outstanding. Approximately 53.9% of the issued and outstanding shares were held by the former stockholders of Genesis Fluid Solutions, approximately 39.6% were

held by the investors in the Private Placement, and approximately 6.5% were held by investors in shares of our registered common stock. The foregoing percentages exclude warrants to purchase 3,520,000 shares of common stock issued to investors and the Placement Agents in connection with the Private Placement, and 4,542,000 shares of common stock reserved for issuance under our 2009 Equity Incentive Plan.

Neither we nor Genesis Fluid Solutions had any outstanding options or warrants to purchase shares of capital stock immediately prior to the closing of the Merger. However, prior to the Merger, we adopted the 2009 Equity

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Incentive Plan and reserved 4,542,000 shares of common stock for issuance as awards to officers, directors, employees, consultants and others. Upon the closing of the Merger, the Company issued options under the 2009 Equity Incentive Plan to purchase an aggregate of 3,222,000 shares of our common stock to a total of ten individuals. Each of the options expires 10 years from the award date and has an exercise price of either $0.90, $0.99 or $1.00 per share. The recipients of the options received awards in recognition of services and/or cancellation of shares of stock of Genesis Fluid Solutions they owned, and included: (i) Michael Hodges, who received options to purchase 600,000 shares, (ii) Larry Campbell, who received options to purchase 600,000 shares, and (iii) Carol Shobrook, who received options to purchase 400,000 shares, each of whom was an executive officer of Genesis Fluid Solutions prior to the Merger and of the Company following the Merger.

The shares of our common stock issued to former holders of Genesis Fluid Solutions stock in connection with the Merger, and the shares of our common stock and warrants issued in the Private Placement, were not registered under the Securities Act of 1933, as amended (the Securities Act), in reliance upon an exemption from registration provided by Section 4(2) under the Securities Act and Regulation D thereof. These securities may not be transferred or sold without registration under or an applicable exemption from the Securities Act.

At the closing of the Merger, an aggregate of 9,481,000 shares of our common stock were issued to the holders of Genesis Fluid Solutions common stock. Of the 9,481,000 shares issued in the Merger, 1,300,000 shares issuable to Michael Hodges have been agreed to be registered in the name of the escrow agent, set aside in escrow and held for three years in order to provide for certain claims, indebtedness and liabilities, including potential tax liabilities, of Genesis Fluid Solutions. Upon receipt of written instructions from the chief financial officer of the Company, the escrow agent is permitted to sell shares to cover any of these liabilities. The escrow agent has complete and absolute discretion as to the method and timing of any related sale of shares of common stock.

Pursuant to the terms of the Escrow Agreement, (i) Michael Hodges may at any time exchange cash for escrowed shares at a rate of $1.00 per share, (ii) the Escrow Agent will provide a voting proxy to Michael Hodges to vote the escrowed shares, and (iii) the Company has agreed to file a registration statement covering the escrowed shares as soon as practicable following the closing of the Merger.

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THE OFFERING

Common stock offered by selling stockholders	This prospectus relates to the sale by certain selling stockholders of 11,847,500 shares of our common stock consisting of: (i) 7,027,500 shares of our common stock issued to investors in the Private Placement; (ii) 3,412,500 shares of our common stock issuable upon the exercise of warrants issued to investors in the Private Placement; (iii) 1,300,000 shares of our common stock issued in connection with the Merger that are currently being held in escrow for three years in order to cover certain claims, indebtedness and liabilities, including potential tax liabilities of Genesis Fluid Solutions; and (iv) 107,500 shares of our common stock issuable upon the exercise of warrants issued to the Placement Agents in the Private Placement.
Offering price	Market price or privately negotiated prices.
Common stock outstanding before the offering	17,751,500 shares(1)
Common stock to be outstanding after the offering	21,271,500 shares(2)
Use of proceeds	We will not receive any proceeds from the sale of the common stock by the selling stockholders. However, we will receive the exercise price, if the cashless exercise feature is not used, upon exercise of the warrants by the selling stockholders. We expect to use the proceeds received from the exercise of the warrants, if any, for general working capital purposes.
OTB Bulletin Board Symbol	GSFL.OB
Risk Factors	You should carefully consider the information set forth in this prospectus and, in particular, the specific factors set forth in the Risk Factors section beginning on page 9 of this prospectus before deciding whether or not to invest in our common stock.

(1) Represents the number of shares of our common stock outstanding as of April 15, 2010. Excludes (i) 4,542,000 shares of our common stock issuable upon exercise of options granted or reserved under the 2009 Equity Incentive Plan; and (ii) 3,520,000 shares of our common stock issuable upon exercise of outstanding warrants.

(2) Includes 3,520,000 shares of our common stock issuable upon exercise of outstanding warrants, which shares are offered for sale in this prospectus. Excludes 4,542,000 shares of our common stock issuable upon exercise of options granted or reserved under the 2009 Equity Incentive Plan.

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SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Such statements include statements regarding our expectations, hopes, beliefs or intentions regarding the future, including but not limited to statements regarding our market, strategy, competition, development plans (including acquisitions and expansion), financing, revenues, operations, and compliance with applicable laws. Forward-looking statements involve certain risks and uncertainties, and actual results may differ materially from those discussed in any such statement. Factors that could cause actual results to differ materially from such forward-looking statements include the risks described in greater detail in the following paragraphs. All forward-looking statements in this document are made as of the date hereof, based on information available to us as of the date hereof, and we assume no obligation to update any forward-looking statement. Market data used throughout this prospectus is based on published third party reports or the good faith estimates of management, which estimates are based upon their review of internal surveys, independent industry publications and other publicly available information. Although we believe that such sources are reliable, we do not guarantee the accuracy or completeness of this information, and we have not independently verified such information.

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RISK FACTORS

Investing in our common stock involves a high degree of risk. Prospective investors should carefully consider the risks described below, together with all of the other information included or referred to in this prospectus, before purchasing shares of our common stock. There are numerous and varied risks that may prevent us from achieving our goals. If any of these risks actually occurs, our business, financial condition or results of operations may be materially adversely affected. In such case, the trading price of our common stock could decline and investors in our common stock could lose all or part of their investment.

Risks Relating to Our Business

We may not be able to adequately protect our proprietary rights, which would have an adverse effect on our ability to competitively conduct our business.

We rely on our patented technology, both domestically and internationally, to deliver our equipment and services. To protect our proprietary rights, we rely on a combination of patent and trade secret laws, confidentiality agreements, and protective contractual provisions. Despite these efforts, our patents and intellectual property relating to our business may not provide us with any competitive advantages. Additionally, another party may obtain a blocking patent and we would need to either obtain a license or design around the patent in order to continue to offer the contested item in our products and services. Further, effective protection of intellectual property rights may be unavailable or limited in some foreign countries. Our inability to adequately protect our proprietary rights would have an adverse impact on our ability to competitively manufacture, distribute and use our products on a worldwide basis.

We could become involved in intellectual property disputes that create a drain on our resources and could ultimately impair our assets.

We do not knowingly infringe on patents, copyrights or other intellectual property rights owned by other parties; however, in the event of an infringement claim, we may be required to spend a significant amount of money to defend a claim, develop a non-infringing alternative or to obtain licenses. We may not be successful in developing an alternative or obtaining licenses on reasonable terms, if at all. Any litigation, even if without merit, could result in substantial costs and diversion of our resources and could materially and adversely affect our business, financial condition and results of operations.

Since we have a somewhat limited operating history, it is difficult for potential investors to evaluate our business.

We began research and development operations in the mid-1990s and have completed 12 projects to date. Our somewhat limited operating history makes it difficult for potential investors to evaluate our business or prospective operations. Since our formation, we have generated only limited and sporadic revenues. As an early stage company, we are subject to all the risks inherent in the initial organization, financing, expenditures, complications and delays inherent in a new business. Accordingly, our business and success faces risks from uncertainties faced by developing companies in a competitive environment. There can be no assurance that our efforts will be successful or that we will ultimately be able to attain profitability.

We are dependent upon key personnel whose loss may adversely impact our business.

We rely heavily on the expertise, experience and continued services of Michael Hodges, our Chairman and Interim Chief Executive Officer. The loss of Mr. Hodges and the inability to attract or retain other key individuals, could

materially adversely affect us. We seek to compensate and motivate our executives, as well as other personnel, through competitive salaries and bonus and equity incentive plans, but there can be no assurance that these programs will allow us to attract or retain personnel. If Mr. Hodges were to leave, we could face substantial difficulty in hiring a qualified successor and could experience a loss in productivity while any successor obtains the necessary training and experience. We have not entered into an employment agreement with Mr. Hodges.

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We face risks associated with our anticipated international business.

We expect to establish, and to expand over time, international commercial or licensing operations and activities in various countries. These international business operations will be subject to a variety of risks associated with conducting business internationally. We do not know the impact that these regulatory, geopolitical and other factors may have on our international business in the future, including the following:

changes in or interpretations of foreign regulations that may adversely affect our ability to perform services or repatriate profits to the United States;

the imposition of tariffs;

economic or political instability in foreign countries;

imposition of limitations on or increase of withholding and other taxes on remittances and other payments by foreign subsidiaries or joint ventures or customers;

conducting business in places where business practices and customs are unfamiliar and unknown;

the imposition of restrictive trade policies;

the existence of inconsistent laws or regulations;

the imposition or increase of investment requirements and other restrictions or requirements by foreign governments;

uncertainties relating to foreign laws and legal proceedings;

fluctuations in foreign currency and exchange rates; and

compliance with a variety of U.S. laws, including the Foreign Corrupt Practices Act.

We may need additional financing to execute our business plan and fund operations, which additional financing may not be available on reasonable terms or at all.

We have limited funds. Even with the aggregate proceeds of $6,150,000 from the recent private placement (the Private Placement), we may not be able to execute our current business plan and fund business operations long enough to achieve profitability. Our ultimate success may depend upon our ability to raise additional capital. There can be no assurance that additional funds will be available when needed from any source or, if available, will be available on terms that are acceptable to us. We may be required to pursue sources of additional capital through various means, including joint venture projects and debt or equity financing. Future financing through equity investments is likely to be dilutive to existing stockholders. Also, the terms of securities we may issue in future capital transactions may be more favorable to new investors than our current investors. Newly issued securities may include preferences, superior voting rights, the issuance of warrants or other derivative securities, and the issuance of incentive awards under employee equity incentive plans, which may have additional dilutive effects. Further, we may incur substantial costs in pursuing future capital and/or financing, including investment banking fees, legal fees, accounting fees, printing and distribution expenses and other costs. We may also be required to recognize non-cash expenses in connection with certain securities we may issue, such as convertible notes and warrants, which will adversely impact our financial condition and results of operations. Our ability to obtain needed financing may be impaired by factors, including the

condition of the economy and capital markets, both generally and specifically in our industry, and the fact that we are not profitable, which could impact the availability or cost of future financing. If the amount of capital we are able to raise from financing activities, together with our revenues from operations, is not sufficient to satisfy our capital needs, even to the extent that we reduce our operations accordingly, we may be required to cease operations.

We may be subject to fines for the non-payment of payroll taxes in prior quarters and, if we are unable to repay the amounts owed, some of our assets could be taken away.

We may be subject to both federal and state fines for the non-payment of payroll taxes, penalties and interest for certain quarters in 2007 through 2009. We have agreed with Michael Hodges to set aside in escrow

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1,300,000 shares of our common stock, that were to be delivered to him as consideration in the Merger, to cover these and other potential liabilities, but this may not be sufficient to cover, and we may not otherwise have sufficient funds or be able to obtain sufficient funds to repay, these liabilities. If we are unable to repay the amounts owed, the Internal Revenue Service and various state taxing agencies may levy liens against our assets and acquire ownership of our assets. The enforcement of a lien could have a material adverse affect on our business. In addition, the Internal Revenue Service can seek reimbursement from our officers and directors that have or have had a direct relationship over our cash resources and/or signature authority on checks.

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

In their report dated April 14, 2010, our current independent registered public accounting firm stated that our consolidated financial statements for the year ended December 31, 2009 were prepared assuming that we would continue as a going concern, and that they have doubt about our ability to continue as a going concern. In their report dated November 11, 2009, our former independent registered public accounting firm stated that our consolidated financial statements for the year ended December 31, 2008 were prepared assuming that we would continue as a going concern, and that they have doubt about our ability to continue as a going concern. Our auditors doubts are based on our recurring losses, accumulated deficits and negative cash flows from operations. We continue to experience net operating losses and negative cash flows from operating activities. Our ability to continue as a going concern is subject to our ability to generate profits and/or obtain necessary funding from outside sources, including by the sale of our securities, or obtaining loans from lenders, where possible. Our continued net operating losses and our auditors doubts increase the difficulty of our meeting these goals, and our efforts to continue as a going concern may not prove successful.

We depend on our ability to continue to obtain government dredging contracts, and are therefore greatly impacted by the amount of government funding for dredging projects. A reduction in this funding could materially limit future revenues and profits.

We expect that a material portion of our revenues will be derived from government dredging contracts. Therefore, if there is a reduction in government funding for dredging contracts, it could limit future revenues and profits.

Our business is subject to significant operating risks and hazards that could result in damage or destruction to persons or property, which could result in losses or liabilities to us.

The dredging business is generally subject to a number of risks and hazards, including environmental hazards, industrial accidents, encountering unusual or unexpected geological formations, cave-ins below water levels, collisions, disruption of transportation services and flooding. These risks could result in damage to, or destruction of, dredges, transportation vessels and other maritime structures and buildings, and could also result in personal injury, environmental damage, performance delays, monetary losses or legal liability to third parties. Although we have general liability and equipment insurance, if our insurance policies do not cover all of the potential different risks and/or liability amounts, the resulting liabilities could be costly to us.

Adverse weather may cause us to incur additional costs and decreased profit margins.

Our ability to perform a contract may depend on weather conditions. Inclement weather can delay the completion of a project, thereby causing us to incur additional costs. As part of bidding on fixed-price contracts, we make allowances, consistent with historic weather data, for project downtime due to adverse weather conditions. In the event that we experience adverse weather beyond these allowances, we may incur additional costs and decreased profit margins on these projects.

Seasonality makes it harder for us to manage our business and for investors to evaluate our performance.

Our operations may be affected by seasonal fluctuations due to weather and budgetary cycles influencing the timing of customers spending for remediation activities. Typically, during the first quarter of each calendar year there is less demand for our services due to weather related reasons, particularly in the northern and mid-western

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United States and Canada, and an increased possibility of unplanned weather related stoppages. This seasonality in our business makes it harder for us to manage our business and for investors to evaluate our performance.

Environmental regulations could force us to incur significant capital and operational costs.

Our operations are subject to various environmental laws and regulations relating to, among other things, dredging operations; the disposal of dredged material; protection of wetlands; storm water and waste water discharges; and, transportation and disposal of hazardous substances and materials. We are also subject to laws designed to protect certain marine species and habitats. Compliance with these statutes and regulations can delay performance of particular projects and increase related project costs. These delays and increased costs could have a material adverse effect on our results of operations and cash flows.

Our projects may involve transportation and disposal of hazardous substances and materials. Various laws strictly regulate the removal and transportation of hazardous substances and materials, and impose liability for human health effects and environmental contamination caused by these materials. Services rendered in connection with hazardous substance and material removal may involve professional judgments by licensed experts about the nature of soil conditions and other physical conditions, including the extent to which hazardous substances and materials are present, and about the probable effect of procedures to mitigate or otherwise affect those conditions. If these judgments and the recommendations based upon these judgments are incorrect, we may be liable for resulting damages that we or our customers incur, which may be material. The failure of certain contractual protections, including any indemnification from our customers or subcontractors, to protect us from incurring this liability could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Difficult conditions in the global capital markets and the economy generally may materially adversely affect our business and results of operations, and we do not expect these conditions to improve in the near future.

Our results of operations are materially affected by conditions in the global capital markets and the economy generally, both in the U.S. and elsewhere around the world. The stress experienced by global capital markets that began in the second half of 2007 continued and substantially increased during the third and fourth quarter of 2008 and is continuing. Recently, concerns over inflation, energy costs, geopolitical issues, the availability and cost of credit, the U.S. mortgage market, and a declining real estate market in the U.S. have contributed to increased volatility and diminished expectations for the economy and the markets going forward. These factors, combined with volatile oil prices, declining business and consumer confidence and increased unemployment, have precipitated an economic slowdown and a global recession. Domestic and international equity markets have been experiencing heightened volatility and turmoil. These events and the continuing market upheavals may have an adverse effect on our business. In the event of extreme prolonged market events, such as the global credit crisis, we could incur significant losses.

Risks Relating to Our Organization and Our Common Stock

We may be unable to register for resale all of the shares of common stock and shares of common stock underlying the warrants included within the units sold in the Private Placement, in which case purchasers in the Private Placement will need to rely on an exemption from registration requirements in order to sell their shares.

In connection with the Private Placement, we entered into a registration rights agreement, pursuant to which we are obligated to file a resale registration statement with the Securities and Exchange Commission (the SEC) that covers all of the common stock and shares of common stock underlying the warrants included within the units sold in the Private Placement (the Warrant Shares) and to have the resale registration statement declared effective by the SEC no later than 180 days after the final closing of the Private Placement. Nevertheless, it is possible that the SEC may not permit us to register all of the shares of common stock for resale. In certain circumstances, the SEC may take the view that

the Private Placement requires us to register the resale of the securities as a primary offering. It is possible that, if registration is barred by current or future rules and regulations, rescission of the Private Placement could be sought by investors or an offer of rescission may be mandated by the

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SEC, which would result in a material adverse effect on us. In addition, our shares of public float are limited and are held by persons who acquired those shares under an effective registration filed prior to the Merger. Investors should be aware of the existence of risks that interpretive positions taken with respect to Rule 415, or similar rules or regulations including those that may be adopted subsequent to the date of this prospectus, could impede the manner in which the common stock and Warrant Shares may be registered or our ability to register the common stock or Warrant Shares for resale at all, or the trading in our securities. If we are unable to register some or all of the common stock or Warrant Shares, or if shares previously registered are not deemed to be freely tradeable, these shares would only be able to be sold pursuant to an exemption from registration under the Securities Act, such as Rule 144, that currently permits the resale of securities by holders who are not affiliated with the issuer following twelve months from November 16, 2009.

As a result of the Merger, Genesis Fluid Solutions became a subsidiary of ours and, we are subject to the reporting requirements of federal securities laws. Such reporting requirements can be expensive and may divert resources from other projects, thus impairing our ability to grow.

As a result of the Merger, Genesis Fluid Solutions became a subsidiary of ours and, accordingly, is subject to the information and reporting requirements of the Exchange Act, and other federal securities laws, including compliance with the Sarbanes-Oxley Act of 2002. The costs of preparing and filing annual and quarterly reports, proxy statements and other information with the SEC (including reporting of the Merger) and furnishing audited reports to stockholders will cause our expenses to be higher than they would have been if Genesis Fluid Solutions had remained privately held and did not consummate the Merger. In addition, we will incur substantial expenses in connection with the preparation of the registration statement and related documents required under the terms of the Private Placement that require us to register the shares of common stock included in the units and the Warrant Shares. It may be time consuming, difficult and costly for us to develop and implement the internal controls and reporting procedures required by the Sarbanes-Oxley Act of 2002. We will need to hire additional financial reporting, internal controls and other finance personnel in order to develop and implement appropriate internal controls and reporting procedures. If we are unable to comply with the internal controls requirements of the Sarbanes-Oxley Act of 2002, then we may not be able to obtain the independent accountant certifications required by that act, which may preclude us from keeping our filings with the SEC current, and interfere with the ability of investors to trade our securities and our shares to continue to be quoted on the OTC Bulletin Board or our ability to list our shares on any national securities exchange.

If we fail to establish and maintain an effective system of internal controls, we may not be able to report our financial results accurately or prevent fraud. Any inability to report and file our financial results accurately and timely could harm our reputation and adversely impact the trading price of our common stock.

Effective internal controls are necessary for us to provide reliable financial reports and prevent fraud. If we cannot provide reliable financial reports or prevent fraud, we may not be able to manage our business as effectively as we would if an effective control environment existed, and our business and reputation with investors may be harmed. As a result, our small size and any current internal control deficiencies may adversely affect our financial condition, results of operations and access to capital. We have not performed an in-depth analysis to determine if historical undiscovered failures of internal controls exist, and may in the future discover areas of our internal controls that need improvement.

Public company compliance may make it more difficult to attract and retain officers and directors.

The Sarbanes-Oxley Act of 2002 and rules implemented by the SEC have required changes in corporate governance practices of public companies. As a public company, we expect these rules and regulations to increase our compliance costs in 2010 and beyond and to make certain activities more time consuming and costly. As a public company, we also expect that these rules and regulations may make it more difficult and expensive for us to obtain director and

officer liability insurance and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us

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to attract and retain qualified persons to serve on our board of directors or as executive officers, and to maintain insurance at reasonable rates, or at all.

Because we became public by means of a reverse merger, we may not be able to attract the attention of major brokerage firms.

There may be risks associated with us becoming public through a reverse merger. Securities analysts of major brokerage firms may not provide coverage of us since there is no incentive to brokerage firms to recommend the purchase of our common stock. No assurance can be given that brokerage firms will, in the future, want to conduct any offerings on behalf of our post-Merger company.

Our stock price may be volatile.

The market price of our common stock is likely to be highly volatile and could fluctuate widely in price in response to various factors, many of which are beyond our control, including the following:

changes in our industry;

competitive pricing pressures;

our ability to obtain working capital financing;

additions or departures of key personnel;

limited public float following the Merger, in the hands of a small number of persons whose sales or lack of sales could result in positive or negative pricing pressure on the market price for our common stock;

sales of our common stock (particularly following effectiveness of the resale registration statement required to be filed in connection with the Private Placement);

our ability to execute our business plan;

operating results that fall below expectations;

loss of any strategic relationship;

regulatory developments;

economic and other external factors;

period-to-period fluctuations in our financial results; and

our inability to develop or acquire new or needed technology.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our common stock.

We have not paid dividends in the past and do not expect to pay dividends in the future. Any return on investment may be limited to the value of our common stock.

We have never paid cash dividends on our common stock and do not anticipate doing so in the foreseeable future. The payment of dividends on our common stock will depend on earnings, financial condition and other business and economic factors affecting us at the time as our board of directors may consider relevant. If we do not pay dividends, our common stock may be less valuable because a return on your investment will only occur if our stock price increases.

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Our shares of common stock are very thinly traded, the price may not reflect our value, and there can be no assurance that there will be an active market for our shares of common stock either now or in the future.

Our shares of common stock are very thinly traded, only a small percentage of our common stock is available to be traded and is held by a small number of holders, and the price, if traded, may not reflect our actual or perceived value. There can be no assurance that there will be an active market for our shares of common stock either now or in the future. The market liquidity will be dependent on the perception of our operating business, among other things. We will take certain steps including utilizing investor awareness campaigns, press releases, road shows and conferences to increase awareness of our business, and any steps that we might take to bring us to the awareness of investors may require we compensate consultants with cash and/or stock. There can be no assurance that there will be any awareness generated or the results of any efforts will result in any impact on our trading volume. Consequently, investors may not be able to liquidate their investment or liquidate it at a price that reflects the value of the business, and trading may be at an inflated price relative to the performance of the Company due to, among other things, availability of sellers of our shares. If a market should develop, the price may be highly volatile. Because there may be a low price for our shares of common stock, many brokerage firms or clearing firms may not be willing to effect transactions in the securities or accept our shares for deposit in an account. Even if an investor finds a broker willing to effect a transaction in the shares of our common stock, the combination of brokerage commissions, transfer fees, taxes, if any, and any other selling costs may exceed the selling price. Further, many lending institutions will not permit the use of low priced shares of common stock as collateral for any loans. A significant number of shares have been issued to our counsel and others as payment for services. In the aggregate, 1,160,000 shares of freely trading stock were available for trading immediately following closing of the Merger. Our counsel serves as escrow agent under the Escrow Agreement, under which 1,300,000 shares may be registered for resale. Those shares, in addition to other shares issued to our counsel, may from time to time be sold in open market transactions, or in privately negotiated transactions. In the event we are required to pay any liability or claim under the Escrow Agreement, the escrow agent will have discretion in determining the timing and manner of those sales, as well as the timing and manner of sale of other shares issued to our counsel for services.

There is currently a very limited trading market for our common stock and we cannot ensure that one will ever develop or be sustained.

To date there has been a very limited trading market for our common stock. We cannot predict how liquid the market for our common stock might become. We anticipate having our common stock continue to be quoted for trading on the OTC Bulletin Board, however, we cannot be sure that these quotations will continue. As soon as is practicable, we anticipate applying for listing of our common stock on the NYSE Amex, The NASDAQ Capital Market or another national securities exchange, assuming that we can satisfy the initial listing standards of the exchange. We currently do not satisfy the initial listing standards, and cannot ensure that we will be able to satisfy the listing standards or that our common stock will be accepted for listing on any exchange. Should we fail to satisfy the initial listing standards of an exchange, or our common stock is otherwise rejected for listing and remains listed on the OTC Bulletin Board or suspended from the OTC Bulletin Board, the trading price of our common stock could suffer and the trading market for our common stock may be less liquid and our common stock price may be subject to increased volatility. Furthermore, for companies whose securities are traded in the OTC Bulletin Board, it is more difficult (1) to obtain accurate quotations, (2) to obtain coverage for significant news events because major wire services generally do not publish press releases about these companies, and (3) to obtain needed capital. We are not required to register for sale the warrants, and do not intend to register the warrants for resale by the holders. As a result, the only value in the warrants will be in the spread between the trading price of our common stock and the exercise price of the warrants.

Our common stock may be deemed a penny stock, which would make it more difficult for our investors to sell their shares.

Our common stock may be subject to the penny stock rules adopted under Section 15(g) of the Exchange Act. The penny stock rules generally apply to companies whose common stock is not listed on The NASDAQ Stock Market or another national securities exchange and trades at less than $4.00 per share, other than companies that

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have had average revenues of at least $6,000,000 for the last three years or that have tangible net worth of at least $5,000,000 ($2,000,000 if the company has been operating for three or more years). These rules require, among other things, that brokers who trade penny stock to persons other than established customers complete certain documentation, make suitability inquiries of investors and provide investors with certain information concerning trading in the security, including a risk disclosure document and quote information under certain circumstances. Many brokers have decided not to trade penny stocks because of the requirements of the penny stock rules and, as a result, the number of broker-dealers willing to act as market makers in these securities is limited. If we remain subject to the penny stock rules for any significant period, it could have an adverse effect on the market, if any, for our securities. If our securities are subject to the penny stock rules, investors will find it more difficult to dispose of our securities.

Offers or availability for sale of a substantial number of shares of our common stock may cause the price of our common stock to decline.

If our stockholders sell substantial amounts of our common stock in the public market, including shares issued in the Private Placement upon the effectiveness of the registration statement required to be filed, upon the expiration of any statutory holding period under Rule 144, upon expiration of lock-up periods applicable to outstanding shares, or shares issued upon the exercise of outstanding options or warrants, it could create a circumstance commonly referred to as an overhang and, in anticipation of which, the market price of our common stock could fall. The existence of an overhang, whether or not sales have occurred or are occurring, also could make more difficult our ability to raise additional financing through the sale of equity or equity-related securities in the future at a time and price that we deem reasonable or appropriate. The shares of common stock issued in the Merger to the current and former officers and directors of Genesis Fluid Solutions are subject to a lock-up agreement prohibiting sales of these shares for a period of 12 months following the Merger. Following that date, all of those shares will become freely tradable, subject to securities laws and SEC regulations regarding sales by insiders. In addition, the shares of common stock sold in the Private Placement and the Warrant Shares will be freely tradable upon the earlier of (i) effectiveness of a registration statement covering these shares; and, (ii) the date on which these shares may be sold without registration pursuant to Rule 144 (or other applicable exemption) under the Securities Act.

We may apply the proceeds of the Private Placement to uses that ultimately do not improve our operating results or increase the value of your investment.

We intend to use a portion of the net proceeds from the Private Placement, including proceeds received upon the exercise of the warrants, for general working capital purposes. Therefore, our management will have broad discretion in how we use these proceeds. These proceeds could be applied in ways that do not ultimately improve our operating results or otherwise increase the value of the investment in our common stock or warrants.

Because our directors and executive officers are among our largest stockholders, they can exert significant control over our business and affairs and have actual or potential interests that may depart from those of our other stockholders.

Our directors and executive officers own or control a significant percentage of the common stock following the Merger and completion of the Private Placement. Additionally, the holdings of our directors and executive officers may increase in the future upon vesting or other maturation of exercise rights under any of the options or warrants they may hold or in the future be granted or if they otherwise acquire additional shares of our common stock. Following the Merger, our executive officers and directors, in the aggregate, beneficially own 5,729,920 shares of our common stock, which represents approximately 32.6% of the voting power of all of our outstanding shares of stock. Our President, Michael Hodges, beneficially owns 2,833,800 shares of our common stock (including the right to vote 1.3 million shares held in escrow pursuant to the escrow agreement, which he has the right to re-acquire), and will be able to vote an additional 1,231,120 shares under voting agreements with the beneficial owners of the shares, until the

beneficial owners no longer own such shares, or a total of approximately 28.3% of the voting power of all our outstanding shares of stock. Our Senior Vice President-Field Operations, Larry Campbell, beneficially owns 600,000 shares of our common stock (consisting of 600,000 shares of our common stock issuable upon exercise of currently exercisable options). Mary Losty, a director of ours, beneficially owns 1,030,000 shares of our common

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stock (including 20,000 shares of our common stock purchased in the Private Placement and 10,000 shares of our common stock underlying warrants issued in the Private Placement. John Freshman, a director of ours, beneficially owns 35,000 shares of our common stock. As a result, in addition to their board seats and offices, such persons will have significant influence over and control all corporate actions requiring stockholder approval, irrespective of how the Company s other stockholders, including purchasers in the Private Placement, may vote, including the following actions:

to elect or defeat the election of our directors;

to amend or prevent amendment of our Certificate of Incorporation or By-laws;

to effect or prevent a merger, sale of assets or other corporate transaction; and

to control the outcome of any other matter submitted to our stockholders for vote.

In addition, these persons stock ownership may discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of the Company, which in turn could reduce our stock price or prevent our stockholders from realizing a premium over our stock price.

Exercise of options and warrants may have a dilutive effect on our common stock.

If the price per share of our common stock at the time of exercise of any warrants, options, or any other convertible securities is in excess of the various exercise or conversion prices of these convertible securities, exercise or conversion of these convertible securities would have a dilutive effect on our common stock. As of April 15, 2010, we had (i) outstanding warrants to purchase 3,412,500 shares of our common stock at an exercise price of $2.00 per share, (ii) outstanding Placement Agent warrants to purchase 107,500 shares of our common stock at an exercise price of $1.25 per share, (iii) outstanding options to purchase 770,000 shares of our common stock at an exercise price of $0.99 per share, (iv) outstanding options to purchase 1,852,000 shares of our common stock at an exercise price of $0.90 per share, and (v) outstanding options to purchase 600,000 shares of our common stock at an exercise price of $1.00 per share. Further, any additional financing that we secure may require the granting of rights, preferences or privileges senior to those of our common stock and which result in additional dilution of the existing ownership interests of our common stockholders.

Our certificate of incorporation allows for our board of directors to create new series of preferred stock without further approval by our stockholders, which could adversely affect the rights of the holders of our common stock.

Our board of directors has the authority to fix and determine the relative rights and preferences of preferred stock. Our board of directors also has the authority to issue preferred stock without further stockholder approval. As a result, our board of directors could authorize the issuance of series of preferred stock that would grant to holders the preferred right to our assets upon liquidation, the right to receive dividend payments before dividends are distributed to the holders of common stock and the right to the redemption of the shares, together with a premium, prior to the redemption of our common stock. In addition, our board of directors could authorize the issuance of series of preferred stock that have greater voting power than our common stock or that are convertible into our common stock, which could decrease the relative voting power of our common stock or result in dilution to our existing stockholders.

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USE OF PROCEEDS

The selling stockholders will receive all of the proceeds from the sale of the shares offered by them under this prospectus. We will not receive any proceeds from the sale of the shares by the selling stockholders covered by this prospectus. We will, however, receive proceeds from the exercise of the warrants if the warrants are exercised for cash. Proceeds received by us, if any, will be used for working capital and general corporate purposes.

MARKET FOR OUR COMMON STOCK AND RELATED STOCKHOLDER MATTERS

Our common stock has been quoted on the OTC Bulletin Board under the symbol GSFL.OB since November 23, 2009. Prior to November 23, 2009, there was no active market for our common stock. Trading of our common stock commenced on November 23, 2009. As of April 12, 2010, there were approximately 214 holders of record of our common stock.

The following table sets forth the high and low bid prices for our common stock for the periods indicated, as reported by the OTC Bulletin Board. The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions.

Period	High	Low
November 23, 2009 through December 31, 2009	$ 6.00	$ 1.60
January 1, 2010 through March 31, 2010	$ 5.85	$ 2.60

The last reported sales price of our common stock on the OTC Bulletin Board on April 12, 2010 was $3.40 per share.

DIVIDEND POLICY

We have not declared nor paid any cash dividend on our common stock, and we currently intend to retain future earnings, if any, to finance the expansion of our business, and we do not expect to pay any cash dividends in the foreseeable future. The decision whether to pay cash dividends on our common stock will be made by our board of directors, in their discretion, and will depend on our financial condition, results of operations, capital requirements and other factors that our board of directors considers significant.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this prospectus. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties, and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including but not limited to those set forth under Risk Factors .

Company Overview

Genesis Fluid Solutions began operations in 1994 as a sole proprietorship owned by our founder, Michael Hodges and was incorporated in Colorado in 2005. We are engaged in the design and development of waterway restoration, mining, and paper mill (water) remediation technologies. Our patented Rapid Dewatering System (RDS) removes different types of debris, sediments, and contaminates from waterways and industrial sites, which assists in the recovery of lakes, canals, reservoirs and harbors. The RDS system separates water from the solid materials that are dredged, a process that is known as dewatering. Because of the scalability of the equipment, the small footprint required, and our own real-time rapid dewatering capabilities, RDS can remove thousands of cubic yards of sediment per day, and return clear water to waterways at rates of thousands of gallons per minute. We believe we accomplish this at significantly lower costs than our competitors.

Domestically, we have secured two contracts under which we will perform the work directly. These waterway dredging projects are due to begin in 2010. Our performance under such contracts is presently not anticipated to commence until June 2010 and September 2010, respectively, as the projects are currently completing permitting requirements.

Results of Operations

Our revenues are derived from professional services contracts to dewater dredged material, including fine-grained sediment, for lake and waterway restoration.

Year Ended December 31, 2009 Compared with Year Ended December 31, 2008

Revenues

The Company recognized no revenue for the year ended December 31, 2009 as compared to $35,097 of revenue for the year ended December 31, 2008. The decrease is primarily due to the effects of accounting for revenues under the completed contract method whereby the company defers revenue until completion of the project. In addition, the two projects we currently have contracts for were delayed. The development of our business was further hindered by a general lack of private and public financing for the dewatering projects to which we market and sell our services.

All of our sales for the year ended December 31, 2008, were to customers in the United States.

Operating Expenses

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $1,941,484 for the year ended December 31, 2009 as compared to $713,424 for the year ended December 31, 2008, an increase of 172%. Utilizing the proceeds received from financing activities (see below), we began implementing our business plan and thus, our selling, general and administrative expenses increased accordingly. Our selling, general and administrative expenses consist of expenses paid for payroll and related costs, consultant and professional fees, stock-based compensation, insurance, impairments on long-lived assets, equipment maintenance, depreciation expense, and other general operating costs.

We expect our costs for personnel, consultants and other operating costs to increase as we implement our business plan. Thus, our selling, general and administrative expenses are likely to increase significantly in future reporting periods.

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Other Income (Expense)

Other income (expense) for the year ended December 31, 2009 was $306,283 compared to $496,241 for the year ended December 31, 2008, a decrease of 38.3%. The decrease was primarily attributable to the fact that the prior year included a loss on disposal of property and equipment of $174,125. Interest expense (which includes $101,250 of stock-based interest) also decreased by $44,537 primarily due to the decrease in interest-bearing liabilities (most notably convertible notes payable decreased by $713,190). The decrease in interest expense is significantly offset by an increase in inducement expense on debt conversion of $40,759.

Net Loss

Net loss for the year ended December 31, 2009 was $2,247,767 compared to a net loss of $1,568,251 for the year ended December 31, 2008. The change was attributable to an increase in operating expenses of $1,228,060, offset by a decrease in other expenses of $189,958.

Liquidity and Capital Resources

Net cash used in operations during the year ended December 31, 2009 totaled $1,737,841 and resulted primarily from a net loss of $2,247,767, an increase in prepaid expenses and other current assets of $124,805 and a gain on settlement of accounts payable of $118,910, partially offset by stock-based compensation of $284,714, an increase in accounts payable of $215,592, impairment of patents pending of $119,896, depreciation of property and equipment of $112,345, and stock-based interest expense of $101,250.

Net cash used in investing activities during the year ended December 31, 2009 totaled $69,721 and resulted from $47,922 of purchases of property and equipment and $21,799 of patent costs.

Net cash provided by financing activities during the year ended December 31, 2009 totaled $6,661,531 and resulted primarily from proceeds of $5,909,750 from sales common stock and warrants (net of offering costs), proceeds of $773,500 from issuances of convertible notes payable, and capital contributions of $491,374, partially offset by principal payments of $202,034 on capital leases, principal payments of $158,179 on convertible notes payable, and principal payments of $116,662 on a secured note payable.

At December 31, 2009, we had working capital of $3,232,419, including $4,873,912 in cash and cash equivalents. We had minimal revenue generating activities in 2009 and are transitioning to a new business model. We anticipate that revenues will resume in June 2010 as we begin to provide services under waterway dredging contracts. Our cash used in operating activities during the year ended December 31, 2009 totaled $1,737,841. Our auditors have expressed a going concern in our consolidated financial statements. Nonetheless, the Company expects that it has sufficient cash and borrowing capacity to meet its working capital needs for at least the next 12 months.

Historically, we have financed our working capital and capital expenditure requirements primarily from notes payable and the sales of our equity securities. We may seek additional equity and/or debt financing in order to implement our business plan. We completed a Private Placement, commencing October 30, 2009 through December 29, 2009, whereby we received net proceeds of $5,909,750, which we believe will fund our operations at least through December 2010. We do not have any lines of credit or borrowing facilities to meet our cash needs. As a result, we may not be able to continue as a going concern, without further financing, following December 2010. It is reasonably possible that we will not be able to obtain sufficient financing to continue operations. Furthermore, any additional equity or convertible debt financing will be dilutive to existing shareholders and may involve preferential rights over common shareholders. Debt financing, with or without equity conversion features, may involve restrictive covenants.

Related Party Transactions

No related party transactions had a material impact on our operating results. See Notes 14 and 19 to our consolidated financial statements.

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New Accounting Pronouncements

See Note 2 to our consolidated financial statements for a discussion of recent accounting pronouncements.

Critical Accounting Estimates

Management s discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates and assumptions, including, but not limited to, those related to the estimates of depreciable lives and valuation of property and equipment, valuation and amortization periods of intangible assets, valuation of derivatives, valuation of payroll tax contingencies, valuation of share-based payments, and the valuation allowance on deferred tax assets.

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BUSINESS

The Company

We are engaged in the design and development of waterway and water remediation technologies for the environmental, mining and paper industries. Our patented Rapid Dewatering System (RDS) removes different types of debris, sediments, and contaminates from waterways and industrial sites, which assists in the recovery of lakes, canals, reservoirs and harbors. The RDS system separates water from the solid materials that are dredged, a process that is known as dewatering. Because of the scalability of the equipment, the small footprint required, and our own real time rapid dewatering capabilities, our RDS can remove thousands of cubic yards of sediment per day, and return clear water to waterways at rates of thousands of gallons per minute. We believe we accomplish this at significantly lower costs than our competitors.

After demonstrating proof of concept on a port restoration project in California, we were acknowledged by the Water Board of the State of California, the United States Environmental Protection Agency and the United States Army Corps of Engineers as having an innovative technology acceptable for the restoration of both contaminated and non-contaminated waterways. We believe our technologies have a variety of benefits for both industry and the environment.

Water Recovery Industry

Many waterways worldwide suffer from eutrophication or deterioration, leading to the formation of wetlands. This typically results from agricultural run-off and other man-made causes. Some waterways are so polluted and stagnant that their animal and plant life die off and, in the case of rivers and streams, the current ceases to flow. Having continued access to healthy, clean lakes, rivers, marinas, shipping ports and other waterways is vital to maintaining affordable water supplies, vibrant economies and entire ecosystems. Additionally, mining operations and paper mills can greatly limit their water usage by recycling their carriage water in their industrial circuit, instead of discharging it into natural waterways or disposal sites.

Cleaning a waterway often requires dredging. Dredging empties the water body of large quantities of built-up debris along the bottom, ranging from coarse material, such as shells, organic vegetation and garbage, to sand and fine grained sediment, such as clays, silts and organics.

The methodologies currently employed in the industry to dewater dredged sentiment from waterways primarily fall into three categories: (1) upland disposal sites, (2) belt presses and thickeners, and (3) geo-synthetic tubes. These techniques have prohibitive costs and, since they are land-intensive, they are environmentally destructive and slow. Therefore, increasingly, many communities and governments either cannot afford to restore their waterways or are unwilling to accept a process that involves the destruction of one ecosystem to save another.

Upland Disposal Sites. Unlike coarse material and sand, fine-grained sediment requires a long settling period to release even minimal water content. Historically, dredged sediment has been dewatered in upland disposal sites. These sites are created by clearing vast areas of land and building dykes or levees around the sites, resulting in large sludge lagoons to hold the sediment discharged from hydraulic dredges. Contained disposal facilities require purchasing land, if available, which is often expensive, and leveling it, so that it is completely flat. This construction process completely destroys all ecosystems in the area, including forests. The process rate for sun drying in containment areas is discouragingly slow, requiring an average drying time of seven or more years. Also, in many coastal areas around the world, ocean dumping of sediment is now prohibited.

Belt Presses and Thickeners. Dredges can pump sludge to dewatering plants, which will slowly process it. By building large or numerous tank farms, the material can be flocculated, which is a process that facilitates the separation of water from solids. This process is slow. Typical ratios in this industry are 3:1 to 5:1. That is, three hours to five hours to dewater 1 hour of dredge pumping. This approach pulls the settled flocculated material from the tank bottoms, generally flocculates the material a second time, then utilizes a belt press to squeeze the flocculated solids, wringing water from the solids. Belt press operations are slow and expensive and require additional operators.

Geo-Synthetic Tubes. Geo-tubes are long and wide synthetic sausage tubes. Flocculated material from the dredge is poured into these tubes. Water slowly drains from numerous and small porous openings in the synthetic

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material. Eventually the material becomes dry enough to be removed from the Geo-tube, which is accomplished by cutting the tubes open. The tubes are expensive, slow to dewater and can only be used once.

Rapid Dewatering System (RDS)

We have inverted the concept of settling sediment through a water column and instead drain water instantly away from the sediment through our patented system. This eliminates the need for vast amounts of time and/or land to dewater, and does not have the negative environmental effects found with the other techniques. Our process encompasses several stages of sediment/asset recovery prior to reaching our RDS unit.

This three-stage process of removing sand and coarse material yields a slurry of liquid and fine grained particulates that is suitable for polymer dosing, flocculation and instant dewatering. By removing heavier solids prior to polymer introduction, polymer is reserved for only the finest grain solids, resulting in significant cost savings.

Fine grain sediment removal represents the most challenging aspect of waterway restoration. We believe that no other technology can approach the real-time capacity for high-speed dewatering of ultra-fine solids that we have achieved. The patented RDS recovers and classifies solid material down to ultra-fine clays, silts, and organics (7-14 angstroms in size) and simultaneously returns clear water (30 parts per million (ppm) of total suspended solids) to the waterway.

Stage 1 utilizes a coarse screening system to facilitate removal of coarse debris that may include a variety of obstructive materials, such as shells, beverage cans, tree stumps, shoes, lumber, fiberglass or fibrous plant life.

Stage 2 utilizes a screening unit designed to remove, classify and stockpile gravel. The unit we use is capable of classifying retrieved gravel according to client specifications and washing the material, which is an important factor in asset resale.

Stage 3 continues the process by salvaging the sand. The sand recovery system that provides the greatest flexibility utilizes the dual technologies of sand screws and hydro-cyclones working in tandem. This process also allows for the classification, washing and stockpiling of sand for reuse or sale.

Once coarse debris, gravel, and sand have been removed from the dredge flow, polymer is introduced into the mix. We have developed a precise, agile technology that continually monitors the slurry and provides instant response to varying flow rates and densities. Our state of the art technology measures the density of the remaining solids to be processed. This data, coupled with the flow rate, is fed to a programmable logic control system, which in turn controls a variable speed pump that injects polymer into the slurry at very close tolerances.

The slurry and polymer are gently blended, initiating a flash-flocculation process that provides for polymer extension, contact time, and particle capture. The flocculated substrate is then distributed over a micro-screen system that enables water to drain away from the accumulated flocs, instantaneously separating the clear water from the accumulating cake. The accumulated cake, which at this point has a consistency of cottage cheese, is gravity fed into our dewatering boxes for final dewatering, if desired. The recovered cake is stackable dirt and ready for disposal or reuse. The turbidity of the clear water phase is continually monitored, as clear water is returned to the waterway. The speed and agility of the RDS enables the dewatering unit to operate in steady state balance with a hydraulic dredge. Thus, production and recovery occur in a synchronized, operational rhythm.

Competition and Competitive Strengths

Our business is highly competitive. We expect to depend on government contracts for a significant portion of our business. Competition for government contracts depends upon our ability to satisfy bidding requirements as well as

subcontracting requirements in the event that we are a subcontractor to a prime contractor. Many larger more well capitalized companies may be able to satisfy the financial, size, equipment, employment, bonding,

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certification, track record, and other government regulatory requirements more readily than we are able to. Our typical competitors are represented by the following companies:

Deme Environmental Contractors DEC NV (Zwijndrecht, Belgium) employs belt presses and plate and frame presses and clarifier (tank) settling systems in Europe. This company is associated with several large European dredging groups and performs dewatering operations for ports and waterways.

Dredge America, Inc. (Kansas City, Missouri) works with Geo-Textile tubes. These Geo-Tubes are filled with flocculated dredge slurry. The tubes, shaped like large sausages, slowly bleed out capillary moisture from the contained sludge until the material is relatively dry, and are then cut open to extricate the dewatered solids.

PHOENIX Process Equipment Co. (Louisville, Kentucky) uses belt presses, screw presses and thickeners, and processes dredge flow through a flocculation process. This company also provides consulting services for mining operations and has in-house fabrication capability.

We believe that our RDS gives us an advantage over our competitors for the following reasons:

quicker process can dewater a dredge flow in real time, rather than dry the sediment under the sun over the course of months and/or years, so projects can be completed much quicker;

returns clear water can simultaneously return clear, aerated water to the waterway, thereby providing natural, oxygenated water to the habitat;

works on fine-grained solids can separate water from even fine-grained solids at high speeds;

lower cost is much more cost efficient since (i) our system is able to sustain a better ratio (dredge time to dewatering time) than many alternatives so that projects may be able to be completed sooner than other dewatering processes, and (ii) we do not need to utilize large amounts of land to spread out and dewater the dredged sediment;

environmentally friendlier is less destructive on the environment by immediately returning natural, clear water to the habitat;

greater mobility has a small footprint, is mobile and scalable, which allows for quick set up and restoration of sites, and access to waterways that other companies equipment is unable to reach;

easier to remove solids can dewater the solids to less than 50% moisture content, which is the equivalent of dry dirt, so that they can be stacked for removal, trucking, or reuse options such as topsoil or landfill;

quieter uses sound attenuated equipment, so the only noise heard resembles a gentle waterfall;

odorless has no odor associated with the process, due to the speed the sediment is dewatered; and,

cleaner designed to contain spillage, which is automatically reprocessed through the system, so that the entire staging area remains clean.

Marketing Strategies

Our strategy includes directly marketing services to government and other users, and licensing our technology to others. We intend to initially focus our efforts on the United States, Europe and the Pacific Rim.

We may provide the equipment and training necessary to launch projects while retaining ownership of equipment and intellectual property. By seeking to cultivate strategic relationships with large, established companies in various regions of the world, we believe we can grow more quickly than establishing offices throughout the world.

Government and Environmental Regulation

Our operations are subject to various environmental laws and regulations related to, among other things: dredging operations; the disposal of dredged material; protection of wetlands; storm water and waste water

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discharges; and, transportation and disposal of hazardous substances and materials. We are also subject to laws designed to protect certain marine species and habitats. Compliance with these statutes and regulations can delay appropriation and/or performance of particular projects and increase related expenses. Our projects may involve transportation and disposal of hazardous waste and other hazardous substances and materials. Various laws strictly regulate the removal, treatment and transportation of hazardous substances and materials and impose liability for human health effects and environmental contamination caused by these materials. We cannot predict what environmental legislation or regulations will be enacted in the future, how existing or future laws or regulations will be enforced, administered or interpreted, or the amount of future expenditures that may be required to comply with these environmental or health and safety laws or regulations, or to respond to future cleanup matters or other environmental claims.

Intellectual Property

We have invested significantly in the development of proprietary technology and also to establish and maintain an extensive knowledge of the leading technologies, and incorporate these technologies into the RDS and the services that we offer and provide to our customers. We hold a patent, which expires in 2021, that covers the European Union, China, South Africa, Eurasia and New Zealand; a patent pending in the United States, which is expected in the next 12 months; and, a number of other patent applications. We believe that we hold adequate rights to all intellectual property used in our business and that we do not infringe upon any intellectual property rights held by other parties.

Properties

We lease our Colorado Springs headquarters, consisting of approximately 300 square feet of office space, at $1,152.15 per month. The lease is on a month-to-month basis and may be terminated by either us our landlord with 30 days notice.

Employees

As of April 15, 2010, we had four persons engaged in management, marketing, sales, project development, and finance activities for us.

Legal Proceedings

From time to time, the Company may become involved in litigation relating to claims arising out of its operations in the normal course of business. Except as described below, no legal proceedings, government actions, administrative actions, investigations or claims are currently pending against us or involve the Company which, in the opinion of the management of the Company, could reasonably be expected to have a material adverse effect on its business or financial condition.

There are no proceedings in which any of the directors, officers or affiliates of the Company, or any registered or beneficial stockholder, is an adverse party or has a material interest adverse to that of the Company.

On May 27, 2008, Eagle North America, Inc. (Eagle), which provided certain equipment and consulting services to the Company, filed suit against Genesis Fluid Solutions and its chief executive officer and director Michael Hodges for monies owed pursuant to an equipment lease agreement between Eagle and the Company. Eagle claimed damages of $152,103.28. The Company made counter claims against Eagle for a breach of representations and warranties and alleged damages related to the performance and operation of certain leased equipment and losses incurred as a result of its inadequate operation and maintenance of approximately $280,000. The two parties entered mediation in November 2008.

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On June 26, 2009, the parties entered into a settlement agreement under which Eagle dismissed its claims against the Company, and the Company dismissed its claims against Eagle. The settlement agreement provided that the Company was to pay Eagle the sum of $152,000 payable as follows:

$25,000.00 within thirty days of the settlement, and

thereafter 15 equal installments of $8,466.67 beginning on August 26, 2009.

As of April 15, 2010, the Company has on a timely basis made all payments to date required by the settlement agreement.

On or about March 31, 2010, the Company s agent for service of process in Delaware notified the Company of its receipt of service of a partial Summons and Complaint to the Company. The action was commenced before the Supreme Court, New York County. We understand the service agent was served with an incomplete Summons and Complaint, missing pages. We requested a copy of the Court file. Plaintiff Big Fuel Communications, LLC seeks $41,250 in damages under various theories of recovery: breach of contract, quantum meruit and unjust enrichment, for services allegedly rendered to Genesis Fluid Solutions. The Company disputes the complaint s allegations.

We have a potential dispute concerning a letter with a potential joint venture partner in the Netherlands, which is more fully described in Note 15 to our audited consolidated financial statements for the year ended December 31, 2009. The parties have alleged certain damages and defenses and are working together to resolve the issue.

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MANAGEMENT

Set forth below is certain information regarding our executive officers and directors. Each of the directors listed below was elected to our board of directors to serve until our next annual meeting of stockholders or until his successor is elected and qualified. All directors hold office for one-year terms until the election and qualification of their successors. The following table sets forth information regarding the members of our board of directors and our executive officers:

Name	Age	Position with the Company
Michael Hodges	59	Chairman and Interim Chief Executive Officer
Larry Campbell	61	Senior Vice President-Field Operations
Mary Losty	50	Director
John Freshman	63	Director
Robert Stempel	77	Director

Michael Hodges, *Chairman* and *Interim Chief Executive Officer.* Mr. Hodges has been chairman of the board of directors of the Company since October 2009 and Interim Chief Executive Officer since March 2010. From October 2005 to October 2009, he was president, chief executive officer and director of Genesis Fluid Solutions, and founded the predecessor business to Genesis Fluid Solutions in 1994. He has 30 years of experience in liquid technology, which culminated with the Genesis Fluid Solutions Rapid Dewatering System. His experience includes management of lake, marina and other waterway restoration projects. Prior to founding Genesis Fluid Solutions, he worked for Black & Veatch. He was also director and project manager for several, large refinery and environmental projects. As an early developer of excess polymer mud systems, he has expertise in working with carbon dioxide, hydrogen sulfide, anhydrite, and numerous other liquid contaminants. His extensive operations experience includes centrifuge, belt press, linear motion shakers, hydrocyclones, separators, pumping systems, polymer make-up units, programmable logic control systems, polymer injection, flocculation chemistry, coagulation and contaminated sediments. Mr. Hodges collaborates with colleagues worldwide on a variety of liquid and water projects and is a speaker at national and international forums. He has been published in industry journals, including Engineering News Record, Dredging and Port Construction, and International Dredging Review. He has invented a number of dewatering systems and filed several national and international patents. He holds qualifications in attapulgite, bentonitic, and montmorillonite mud systems and is certified in enhanced centrifuge technology. Mr. Hodges created Mud School, the only certification process in rapid dewatering technology.

Larry Campbell, *Senior Vice President-Field Operations.* Mr. Campbell has been senior vice president-field operations of Genesis Fluid Solutions since January 2010. From October 2005 to January 2010, he was senior vice president and director of field operations of Genesis Fluid Solutions, and held a similar position with the predecessor business to Genesis Fluid Solutions since 1994. Mr. Campbell is responsible for Genesis Fluid Solutions dewatering operations, and works closely with Mr. Hodges in research and development. In this capacity, he has brought solutions to the field of water and waterway restoration projects that have resulted in Genesis Fluid Solutions being awarded patents on a variety of innovations, and is the fabricator of the Genesis Fluid Solutions Rapid Dewatering System and related clarifier applications and energy dampening equipment. He has 33 years of experience in commercial construction management, all phases of related field activity, and on-site client relations. He has also designed coarse debris and manifold systems, as well as inline filters, distributive systems, and sand recovery units. Earlier in his career, Mr. Campbell designed and constructed high pressure snubbing tools for Kuwaiti oilfield recovery, and production plants for agricultural applications. He is certified as a Lead Operations Superintendent for contaminated

sediments (including Haz-Mat training), closed loop mud systems, and enhanced belt press procedures. With expertise in all phases of centrifugal, positive displacement and gear pump operations, Mr. Campbell is also a Master Fabricator and Welder.

Mary Losty, *Director.* Since 1998, Ms. Losty has been a general partner and portfolio manager of Cornwall Asset Management, LLC. Prior to that, she worked as a portfolio manager at Duggan & Associates, as an equity research analyst and assistant portfolio manager at M. Kimelman & Co., and at Morgan Stanley & Company. Since May 2007, she has served on the board of directors of Procera Networks (AMEX:PKT), a Silicon Valley bandwidth management company. She is also the commissioner of the Cambridge, Maryland Planning and Zoning

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Commission, as well as a member of the Am Board of Directors of the United Nations University for Peace. Ms. Losty has a law degree from Georgetown University.

John Freshman, Director. Mr. Freshman has served as a principal of Troutman Sanders Strategies, a full-service government relations and issue management firm since 2006. Prior to joining Troutman Sanders Strategies, Mr. Freshman served as president of Freshman Kast, Inc., a multi-purposed government relations and lobbying firm specializing in environment and natural resources, from 1981 through 2006. Mr. Freshman helped write the original 1972 Clean Water Act, Clean Air Act, and Endangered Species Act. He has contributed to wetlands protection programs and other federal legislative proposals and regulations. As a result, he has been involved in many appropriations legislation for water including navigation, water supply, dams, and flood control. He has also served in senior positions in the Senate Environment and Public Works Committee, the White House, and the Environmental Protection Agency. His first government position was as a staff assistant to Senator Richard Schweiker in 1969. He holds a Political Science degree from Middlebury College.

Robert Stempel, *Director.* Mr. Stempel began his career at General Motors in 1958, was promoted to President and Chief Operating Officer in 1987, and finally elevated to CEO and Chairman in 1990. From 1995 through 2007, he served as Chief Executive Officer and Chairman of Energy Conversion Devices, where he accomplished exceptional growth in advanced nickel metal hydride batteries and thin film solar panel technology. In addition, he was the Chairman of Great Lakes Industries, where he coordinated industry engagement in key great lakes water quality, environmental, and policy issues. Mr. Stempel earned an engineering degree from the Worcester Polytechnic Institute and an MBA from Michigan State University. He is a member of the National Academy of Engineering, a Fellow of The Society of Automotive Engineers and the Engineering Society of Detroit, and a Life Fellow of the American Society of Mechanical Engineers.

There are no family relationships among any of our directors and executive officers.

Independent Directors

We believe Mary Losty, John D. Freshman, and Robert Stempel are independent directors, as that term is defined by listing standards of the national exchanges and SEC rules, including the rules relating to the independence standards of an audit committee and the non-employee director definition of Rule 16b-3 of the Exchange Act.

Committees of the Board of Directors

We intend to appoint persons to the board of directors and committees of the board of directors as required to meet the corporate governance requirements of a national securities exchange, although we are not required to comply with these requirements until we elect to seek listing on a national securities exchange. We intend to appoint directors in the future so that a majority of our directors will be independent directors, of which at least one director will qualify as an audit committee financial expert, within the meaning of Item 407(d)(5) of Regulation S-K of the SEC.

On October 30, 2009, the board of directors appointed an executive committee, audit committee, compensation committee, nominating committee and executive committee, and adopted charters relative to its audit committee, compensation committee and nominating committee.

Audit Committee

Mary Losty is currently the sole member of the audit committee. The audit committee s duties are to recommend to our board of directors the engagement of independent auditors to audit our financial statements and to review our accounting and auditing principles. The audit committee reviews the scope, timing and fees for the annual audit and

the results of audit examinations performed by independent public accountants, including their recommendations to improve the system of accounting and internal controls. The audit committee oversees the independent auditors, including their independence and objectivity. However, the committee members are not acting as professional accountants or auditors, and their functions are not intended to duplicate or substitute for the activities of management and the independent auditors. The audit committee is empowered to retain independent

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legal counsel and other advisors as it deems necessary or appropriate to assist the audit committee in fulfilling its responsibilities, and to approve the fees and other retention terms of the advisors. Our audit committee member possesses an understanding of financial statements and generally accepted accounting principles. The Company does not currently have an audit committee financial expert. The Company and its board of directors have yet to identify a suitable candidate to serve as the audit committee financial expert due to the small size of the Company and its limited reporting history, however, the Company intends to appoint an audit committee financial expert as soon as it is practical.

Compensation Committee

Mary Losty is currently the sole member of the compensation committee. The compensation committee has certain duties and powers as described in its charter, including but not limited to periodically reviewing and approving our salary and benefits policies, compensation of our executive officers, administering our stock option plans, and recommending and approving grants of stock options under those plans.

Nominating Committee

Mary Losty is currently the sole member of the nominating committee. The nominating committee considers and makes recommendations on matters related to the practices, policies and procedures of the board of directors and takes a leadership role in shaping our corporate governance. As part of its duties, the nominating committee assesses the size, structure and composition of the board of directors and its committees, coordinates evaluation of board performance and reviews board compensation. The nominating committee also acts as a screening and nominating committee for candidates considered for election to the board of directors.

Executive Committee

Mary Losty is currently the sole member of the executive committee. The executive committee has certain duties and powers, including but not limited to assisting the board of directors in fulfilling its obligations relating to its operational oversight of the Company. The executive committee also acts as a screening and nominating committee for candidates considered for appointment as officers of the Company.

Compensation Committee Interlocks and Insider Participation

Mary Losty is currently the sole member of the compensation committee.

None of our directors or executive officers serves as a member of the board of directors or compensation committee of any other entity that has one or more of its executive officers serving as a member of our board of directors.

Director Compensation

We have not had compensation arrangements in place for members of our board of directors and have not finalized any plan to compensate directors in the future for their services as directors. We may develop a compensation plan for our independent directors in order to attract qualified persons and to retain them. We expect that the compensation arrangements may be comprised of a combination of cash and/or equity awards.

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EXECUTIVE COMPENSATION

Summary Compensation Table

The table below sets forth, for the last two fiscal years, the compensation earned by (i) each individual who served as our principal executive officer or principal financial officer during the last fiscal year and (ii) our most highly compensated executive officer, other than those listed in clause (i) above, who was serving as executive officers at the end of the last fiscal year (together, the Named Executive Officers). No other executive officer had annual compensation in excess of $100,000 during the last fiscal year.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Option Awards ($)	All Other Compensation ($)	Total ($)
Michael Hodges,	2009	$ 30,000		$ 279,365	$ 71,615(1)	$ 380,980
Chairman of the Board of Directors of the Company and Interim Chief Executive Officer	2008				$ 66,998(2)	$ 66,998
Martin Hedley,	2009				$ 15,313	$ 15,313
Former Chief Executive Officer(3)						
Selby Little,	2009				$ 4,916	$ 4,916
Former Chief Financial Officer(4)						
Carol Shobrook	2009	$ 29,840		$ 154,906	$ 79,601(6)	$ 264,347