

BIOLARGO, INC.
Form DEFA14C
May 18, 2009

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**SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
SCHEDULE 14C
(RULE 14C-101)
Amendment No. 1
INFORMATION STATEMENT PURSUANT TO SECTION 14(c)
OF THE SECURITIES EXCHANGE ACT OF 1934**

Check the appropriate box:

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

BIOLARGO, INC.

(Name of Registrant as Specified in its Charter)

Payment of Filing Fee (Check the appropriate box):

- No fee required
- Fee computed on table below per Exchange Act Rules 14c-5(g) and 0-11.
 - (1) Title of each class of securities to which investment applies:
 - (2) Aggregate number of securities to which investment applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11: (set forth the amount on which the filing fee is calculated and state how it was determined):
 - (4) Proposed maximum aggregate value of transaction:
 - (5) Total fee paid:
- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
 - (1) Amount Previously Paid:
 - (2) Form, Schedule or Registration Statement No.:
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Nature s Best Solution
BioLargo, Inc.
INFORMATION STATEMENT
PURSUANT TO SECTION 14
OF THE SECURITIES EXCHANGE ACT OF 1934
AND REGULATION 14C AND SCHEDULE 14C THEREUNDER

To Our Stockholders:

This Information Statement is being furnished to the stockholders of BioLargo, Inc., a Delaware corporation (the Company), in connection with the election of the directors of the Company by the written consent of holders of in excess of 50% of the voting rights of the Company.

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

Only stockholders of record at the close of business on May 15, 2009 shall be provided a copy of this Information Statement.

By Order of the Board of Directors,
Dennis Calvert
President and Chief Executive Officer
May 15, 2009
Irvine, California

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INFORMATION STATEMENT
IN LIEU OF
2009 ANNUAL MEETING OF STOCKHOLDERS
OF
BIOLARGO, INC.**

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**INFORMATION STATEMENT
IN LIEU OF
2009 ANNUAL MEETING OF STOCKHOLDERS
OF BIOLARGO, INC.**

**NO VOTE OR OTHER ACTION OF THE COMPANY'S STOCKHOLDERS IS REQUIRED IN
CONNECTION WITH THIS INFORMATION STATEMENT.**

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

We are distributing this Information Statement (the "Information Statement") to our stockholders in full satisfaction of any notice requirements the Company may have under Securities and Exchange Act of 1934, as amended, and applicable Delaware law. No additional action will be undertaken by the Company with respect to the receipt of written consents, and no dissenters' rights with respect to the receipt of the written consents, and no dissenters' rights under the Delaware General Corporation Law, are afforded to the Company's stockholders as a result of the adoption of the resolutions contemplated herein.

The Information Statement is being mailed or made available on the Internet on or about May 20, 2009 to the holders of record at the close of business on May 15, 2009 (the "Record Date"), of the common stock of BioLargo, Inc., a Delaware corporation (the "Company"), in connection with action by written consent in lieu of an annual meeting to elect directors to the Board of Directors (the "Board").

The vote required to elect directors is the affirmative vote of the holders of a majority of the Company's common stock. Each holder of common stock is entitled to one vote for each share of common stock held. The date for purposes of determining the number of outstanding shares of common stock and for determining stockholders entitled to vote, is the close of business on the Record Date. As of the Record Date, the Company had outstanding 42,423,845 shares of common stock.

Members of the Board who collectively own or have voting authority for an aggregate 26,186,805 shares of the Company's outstanding common stock (the "Consenting Stockholders") intend to vote in favor of each of management's nominees for directors. These stockholdings represent approximately 61.8% of the total outstanding common stock of the Company, as of the date of filing of this Information Statement, which the Company believes will be sufficient as of the Record Date to take the proposed action to elect the directors. Even though the Consenting Stockholders are themselves the nominees for directorship, they have the authority under Delaware law to vote in favor of themselves and to elect the nominees to the Board. **The Company does not intend to solicit any proxies or consents from any other stockholders in connection with this action.**

Section 141(f) of the Delaware General Corporation Law (the "Delaware Law") provides that any action which may be taken at any annual or special meeting of stockholders may be taken without a meeting and without prior notice if a consent in writing setting forth the action taken is signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to take such action. In order to eliminate the costs and management time involved in obtaining proxies and in order to effect the above actions as early as possible in order to accomplish the purposes hereafter described, the Board voted to utilize, and has obtained, the written consent of the Consenting Stockholders who own shares representing a majority of our common stock. The resolutions adopted in that written consent will not become effective before the date which is 20 days after this Information Statement is first mailed to stockholders. You are urged to read this Information Statement in its entirety for a description of the action taken by the Consenting Stockholders.

Pursuant to Section 228(c) of the Delaware Law, we are required to provide prompt notice of the taking of the corporate action without a meeting to the stockholders of record who have not consented in writing to such action. This Information Statement is intended to provide such notice. No dissenters' or appraisal rights under the Delaware Law are afforded to the Company's stockholders as a result of the approval of the resolutions.

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This Information Statement is being distributed pursuant to the requirements of Section 14(c) of the Securities Exchange Act of 1934, as amended (the Exchange Act).

The entire cost of furnishing this Information Statement will be borne by the Company. We will request brokerage houses, nominees, custodians, fiduciaries and other like parties to forward this Information Statement to the beneficial owners of our common stock held of record by them and will reimburse such persons for their reasonable charges and expenses in connection therewith.

Our Annual Report for the year ended December 31, 2008, on Form 10-K (the 10-K) is being mailed or made available on the Internet to stockholders concurrently with this information statement. The 10-K is not to be regarded as proxy soliciting material or as a communication by means of which any solicitation of proxies is to be made.

Our executive offices are located at 2603 Main Street, Suite 1155, Irvine, California 92614 and our telephone number at that location is (949) 643-9540.

Table of Contents**ELECTION OF DIRECTORS****Composition of Board of Directors**

Our bylaws provide that the Board shall consist of not less than two and not more than seven directors. The Board currently consists of five members. The Board has fixed the size of the Board to be elected in 2009 at five members. There are no family relationships among any of our current directors, the nominees for directors and our executive officers.

The Consenting Stockholders, consisting of (i) Kenneth Reay Code, who collectively beneficially owns more than a sufficient number of votes to cause the election of the entire Board himself and (ii) other members of the Board, intend to vote all shares of their common stock beneficially owned by them FOR the election of the nominees listed below. These nominees have been selected by the Board. All of the nominees are currently members of the Board. If elected, each nominee will serve until the annual meeting of stockholders to be held in 2010 (or action by written consent of stockholders in lieu thereof) or until his successor has been duly elected and qualified.

In the event that a nominee is unable or declines to serve as a director at the time of the Annual Meeting, the present Board will fill any such vacancy. In the event that additional persons are nominated for election as directors, the Consenting Stockholders intend to vote all of their shares for the nominees listed below and against any such additional nominees. As of the date of this information statement, the Board is not aware of any nominee who is unable or will decline to serve as a director.

The Board does not have a Nominating/Corporate Governance Committee primarily because capital constraints, the Company's early operational state and the size of the current Board make constituting and administering such a committee excessively burdensome and costly. With respect to the nominees for election in 2009, every director of the Company participated in the decisions relating to the nomination of directors.

Nominees for Election as Directors

The following is certain information as of April 1, 2009 regarding the nominees for election as directors:

| Name | Position | Age | Director Since |
|-----------------------------|--|------------|-----------------------|
| Dennis P. Calvert | President, Chief Executive Officer and Chairman | 46 | June 2002 |
| Joseph L. Provenzano | Executive Vice President of Operations, Corporate Secretary and Director | 40 | June 2002 |
| Gary A. Cox(1)(2) | Director | 47 | May 2003 |
| Dennis E. Marshall(1)(2)(3) | Director | 66 | April 2006 |
| Kenneth R. Code | Director | 62 | April 2007 |

(1) Member of Audit Committee

(2) Member of Compensation Committee

(3) Chairman of Audit and Compensation committees

Table of Contents**Biographical Information Regarding Directors and Nominees**

Dennis P. Calvert is our President, Chief Executive Officer and Chairman of the Board. Mr. Calvert was appointed a director in June 2002, and has served as President and Chief Executive Officer since June 2002, Corporate Secretary from September 2002 until March 2003, and Chief Financial Officer from March 2003 through January 2008. Mr. Calvert holds a B.A. in Economics from Wake Forest University, where he was a varsity basketball player on full scholarship. Mr. Calvert also studied at Columbia University and Harding University. He was an honor student in high school with numerous leadership awards. He is also an Eagle Scout. Mr. Calvert has an extensive entrepreneurial background as an operator, investor and consultant. From June 2002 to September 2002 he served as president of Med Wireless, Inc. In 1998 he was a founder, president and board member of Utelecom Communications, Inc. where he led the acquisition of four companies and secured a line of credit for \$7.5 million. He was an investor and served as a manager of Beep for Free.com, LLC beginning in the year 2000, a consumer products and technology related company. Mr. Calvert resigned as the manager of Beep For Free.com, LLC in June 2002 and the company ceased operations in December 2002. Mr. Calvert was a founder and chairman of ZZYZX Technologies, Inc., a company that designed and produced high tech equipment. ZZYZX was sold in 2001. From 1990 to 1996 Calvert served as head of mergers and acquisitions for Medical Asset Management, Inc., a company that acquired and managed medical-related businesses. During his tenure he participated in more than 50 acquisitions and served in numerous positions with the company. Prior, he was a founder and officer of a medical recruiting and consulting firm named Merritt Hawkins and Associates from 1987 to 1990. Earlier, he was a top producing sales associate for a leading physician recruitment firm, Jackson and Coker, Inc. and served as a sales associate for Diamond Shamrock Chemicals Company from 1985 to 1986.

Joseph L Provenzano has been a director since June 2002, assumed the role of Corporate Secretary in March 2003 and was appointed Executive Vice President of Operations in January 2008. Mr. Provenzano began his corporate career in April 1988 as a Personnel Manager and Recruiter for First American Travel, a marketing company in Southern California. From June 1991 to September 1995 he worked as a technician within the Commercial and Residential security industry. From September 1995 to September 1996 he was employed by two major Southern California moving and storage companies as head of marketing. From September 1996 to April 2001 he owned a marketing company called Pre-Move Marketing Services (PMSA), offering advertising and direct marketing products for the moving and storage industry. From April 2001 to March 2003 he worked with an investment holding company to manage their mergers and acquisitions department, participating in more than 50 corporate mergers and acquisitions.

Gary A. Cox has been a director since May 2003. Mr. Cox has more than 14 years in the healthcare field as consultant to hospitals and medical groups. Since March 2008, Mr. Cox has worked as the Director of Physician Recruitment for The Fortus Group, an executive search firm specializing in the dialysis industry. From January 2007 to March 2008, Mr. Cox worked as a corporate recruiter and recruitment manager for United PamAm Financial Corporation, a specialty finance company focused on the automobile industry. From December 2005 to January 2007, Mr. Cox was an executive search consultant with Management Recruiters International, an executive search firm specializing in the biotechnology industry. In addition, since 1995, he has also been providing search and consulting services to hospitals and clinics throughout the United States. Previously, Mr. Cox served for more than 10 years with firms in the United Kingdom in various executive recruiting, sales and marketing positions. He holds a technical degree in engineering from Leicester University in England. He was also a competitive athlete and played for a number of professional soccer (football) clubs in England in his early career.

Dennis E. Marshall has been a director since April 2006. Mr. Marshall has over 35 years of experience in real estate, asset management, management level finance, and operations-oriented management. Since 1981, Mr. Marshall has been a real estate investment broker in Orange County, California, representing buyers and sellers in investment acquisitions and dispositions. From March 1977 to January 1981, Mr. Marshall was a real estate syndicator at McCombs Corporation as well as the assistant to the Chairman of the Board. While at McCombs Corporation, Mr. Marshall became the Vice President of Finance, where he financially monitored numerous public real estate syndications. From June 1973 to September 1976, Mr. Marshall served as an equity controller for the Don Koll Company, an investment builder and general contractor firm, at which Mr. Marshall worked closely with institutional equity partners and lenders. Before he began his career in real estate, Mr. Marshall worked at Arthur Young & Co.

(now Ernst & Young) from June 1969 to June 1973, where he served as Supervising Senior Auditor and was responsible for numerous independent audits of publicly held corporations. During this period, he obtained Certified Public Accountant certification. Mr. Marshall earned a degree in Accounting from the University of Texas, Austin in 1966 and earned a Master of Science Business Administration from the University of California, Los Angeles in 1969. Mr. Marshall serves as Chairman of the Audit and Compensation Committees.

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Kenneth R. Code is the founder of IOWC Technologies, Inc. (IOWC). Mr. Code has been a director since April 2007 and also serves as our Chief Technology Officer. Mr. Code is our single largest stockholder. From December 2000 to present, Mr. Code has been the President of IOWC, a company which is engaged in the research and development of advanced disinfection technology, and from which the Company acquired the BioLargo technology in April 2007. From December 2000 through October 2003, Mr. Code also served as a director and Vice Chairman of BioLargo Technologies Inc., where he was engaged in pre-commercial efforts to seat inorganic disinfection technologies into the non-woven air-laid industry. Mr. Code has authored several publications concerning, and has filed several patent applications applying, disinfection technology. Mr. Code graduated from the University of Calgary, Alberta, Canada.

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CORPORATE GOVERNANCE

Our corporate website, *www.biolargo.com*, contains the charters for our Audit and Compensation Committees and certain other corporate governance documents and policies including our Code of Ethics. Any changes to these documents and any waivers granted with respect to our code of ethics will be posted on our website. In addition, we will provide a copy of any of these documents without charge to any stockholder upon written request made to Corporate Secretary, BioLargo, Inc., 2603 Main Street, Suite 1155, Irvine, California 92614. The information on our website is not, and shall not be deemed to be, a part of this proxy statement or incorporated by reference into this or any other filing we make with the Securities and Exchange Commission (SEC).

Director Independence

The Board has determined that each of Messrs. Cox and Marshall is independent as defined under NASDAQ Marketplace rules. The Board has determined that none of Messrs. Calvert, Code or Provenzano is independent as defined under NASDAQ Marketplace rules. None of Messrs. Calvert, Code or Provenzano serves on any committees of the Board.

Meetings of the Board

The Board held five meetings and acted by written consent six times during 2008. Each of the incumbent directors attended 75% or more of the aggregate number of meetings of the Board and committees on which the director served in 2008. Each of our directors is encouraged to attend our annual meeting of Stockholders, when these are held, and to be available to answer any questions posed by stockholders to such director.

Communications with the Board

The following procedures have been established by the Board in order to facilitate communications between our stockholders and the Board:

Stockholders may send correspondence, which should indicate that the sender is a stockholder, to the Board or to any individual director, by mail to Corporate Secretary, BioLargo, Inc., 2603 Main Street, Suite 1155, Irvine, California 92614.

Our Corporate Secretary will be responsible for the first review and logging of this correspondence and will forward the communication to the director or directors to whom it is addressed unless it is a type of correspondence which the Board has identified as correspondence which may be retained in our files and not sent to directors. The Board has authorized the Secretary to retain and not send to directors communications that: (a) are advertising or promotional in nature (offering goods or services), (b) solely relate to complaints by clients with respect to ordinary course of business customer service and satisfaction issues or (c) clearly are unrelated to our business, industry, management or Board or committee matters. These types of communications will be logged and filed but not circulated to directors. Except as set forth in the preceding sentence, the Secretary will not screen communications sent to directors.

The log of stockholder correspondence will be available to members of the Board for inspection. At least once each year, the Corporate Secretary will provide to the Board a summary of the communications received from stockholders, including the communications not sent to directors in accordance with the procedures set forth above.

Our stockholders may also communicate directly with the non-management directors as a group, by mail addressed to Dennis E. Marshall, c/o Corporate Secretary, BioLargo, Inc., 2603 Main Street, Suite 1155, Irvine, California 92614. Our Audit Committee has established procedures for the receipt, retention and treatment of complaints regarding questionable accounting, internal controls, and financial improprieties or auditing matters. Any of our employees may confidentially communicate concerns about any of these matters by mail addressed to Audit Committee, c/o Corporate Secretary, BioLargo, Inc., 2603 Main Street, Suite 1155, Irvine, California 92614.

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All of the reporting mechanisms are also posted on our website. Upon receipt of a complaint or concern, a determination will be made whether it pertains to accounting, internal controls or auditing matters and, if it does, it will be handled in accordance with the procedures established by the Audit Committee.

Committees of the Board of Directors

The Board has established an Audit Committee and a Compensation Committee.

The Audit Committee meets with management and our independent public accountants to review the adequacy of internal controls and other financial reporting matters. Dennis E. Marshall served as Chairman of the Audit Committee during 2008 and continues to serve in that capacity. Gary A. Cox also serves on the Audit Committee. The Board has determined that Mr. Marshall qualifies as an audit committee financial expert as defined in Item 401(h) of Regulation S-K of the Securities Exchange Act of 1934, as amended. The Audit Committee met six times during 2008.

The Compensation Committee reviews the compensation for all of our officers and directors and affiliates. The Committee also administers our equity incentive option plan. Mr. Marshall served as Chairman of the Compensation Committee during 2008 and continues to serve in that capacity. Mr. Cox also serves on the Compensation Committee. The Compensation Committee met once and acted by written consent once during 2008.

The Board did not modify any action or recommendation made by the Compensation Committee with respect to executive compensation for the 2008 fiscal year. It is the opinion of the Compensation Committee that the executive compensation policies and plans provide the necessary total remuneration program to properly align their performance and the interests of our stockholders through the use of competitive and equitable executive compensation in a balanced and reasonable manner, for both the short and long term.

We do not have a Nominating/Corporate Governance Committee primarily because of capital constraints, our early operational state and the size of our current Board make constituting and administering such a committee excessively burdensome and costly. The traditional responsibilities of such a committee are handled by the Board as a whole. With respect to the nominees for election in 2009, each of our directors participated in the decisions relating to the nomination of directors.

The Board follows the written code of ethics that applies to its principal executive officers, principal financial officer, principal accounting officer or controller, or persons performing similar functions.

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Securities Exchange Act of 1934 requires our directors, certain officers and persons holding 10% or more of the Company's common stock to file reports regarding their ownership and regarding their acquisitions and dispositions of our common stock with the SEC. Such persons are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

To our knowledge, based solely upon review of Forms 3, 4, and 5 (and amendments thereto) and written representations provided to us by executive officers, directors and stockholders beneficially owning 10% or greater of the outstanding shares, we believe that such persons filed pursuant to the requirements of the SEC on a timely basis, except that (i) Mr. Calvert did not timely make one filing on Form 4 with respect to gifts of shares of common stock; (ii) Mr. Cox did not timely make one filing on Form 4 with respect to an option to purchase common stock granted to him pursuant to the stock option plan approved by our stockholders in 2007 (the 2007 Plan; see Equity Compensation Plans 2007 Equity Incentive Plan below); and (iii) Mr. Marshall did not timely make one filing on Form 4 with respect to an option to purchase common stock granted to him pursuant to the Company's 2007 Equity Incentive Plan. Mr. Calvert has since filed one Form 4 to report his transaction. Mr. Cox has since filed one Form 4 to report his transaction. Mr. Marshall has since filed one Form 4 to report his transaction.

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Summary Compensation Table**

| Name and Principal Position | Year | Salary | Stock or Option Awards | Non-Equity Plan Based Incentive Compensation | All other Compensation | Total |
|--|-------------|---------------|---------------------------------------|---|-----------------------------------|--------------|
| Dennis P. Calvert, President and Chief Executive Officer | 2007 | \$ 184,800(1) | 3,046,346(2) | | 10,100(3) | \$ 3,241,246 |
| | 2008 | \$ 197,200(1) | | | 12,600(3) | \$ 209,800 |
| Joseph L. Provenzano, Corporate Secretary and VP of Operations | 2007 | \$ 70,166(4) | 92,520(5) | | | \$ 162,686 |
| | 2008 | \$ 79,200(4) | | | 2,400(6) | \$ 81,600 |
| Kenneth R. Code, Chief Technology Officer | 2007 | \$ 184,800(7) | 184,900(8) | | 8,000(9) | \$ 316,100 |
| | 2008 | \$ 197,200(7) | | | 12,600(9) | \$ 209,800 |

(1) In 2007 the employment agreement for Mr. Calvert provided for a base salary of \$184,800. During 2007, we made payments totaling \$184,800. In 2008 the employment agreement for Mr. Calvert provided for a base salary of \$197,200. During 2008, we made payments totaling \$169,971 and the remaining balance of \$27,229 was accrued and unpaid as of December 31,

2008. See
Employment
Agreements *Dennis
P. Calvert*
below for more
details.

- (2) On April 30,
2007, we issued
an option to
Mr. Calvert to
purchase
7,733,259 shares
of our common
stock at \$0.18
per share, a
discount to the
\$0.37 closing
price on the date
of issuance,
pursuant to
Mr. Calvert's
employment
agreement. This
option vests
over three years
in equal
amounts on the
anniversary
date, and expires
10 years from
the date of
issuance. The
fair value of this
option was
\$2,861,306, and
will be recorded
as compensation
expense ratably
over the vesting
period.

On
December 28,
2007 we issued
an option to
Mr. Calvert to
purchase
200,000 shares
of our common
stock. The

option was issued under the 2007 Plan, is exercisable at \$0.94 per share, vests in equal installments on the first, second and third anniversary date of the grant and expire ten years from the date of grant. The fair value of this option was \$185,040, and will be recorded as compensation expense ratably over the vesting period.

(3) Consists of health insurance premium reimbursements and automobile allowance payments.

(4) At December 31, 2006 the Company had accrued salary for Mr. Provenzano in the amount of \$99,000 related to services performed in 2006 and 2005. On March 15, 2007, the \$99,000 balance was converted into 264,001 shares of the Company's common stock.

In 2007 Mr. Provenzano continued to work for the Company on an as needed basis and earned salary totaling \$70,166. We made payments totaling \$33,299 to Mr. Provenzano during 2007, and the remaining \$36,867 was accrued and unpaid as of December 31, 2007 and December 31, 2008. In 2008 the employment agreement for Mr. Provenzano provided for a base salary of \$79,200, all of which was paid in cash during 2008. See Employment Agreements *Joseph L. Provenzano* below for more details.

- (5) On December 28, 2007 we issued an option to Mr. Provenzano to purchase 100,000 shares of our common stock. The option was issued under our 2007 Plan, is

exercisable at \$0.94 per share, expires ten years from the date of grant, and vests in equal installments on the first, second and third anniversary date of the grant. The fair value of this option was \$92,520 and will be recorded as compensation expense ratably over the vesting period.

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- (6) Consists of health insurance premiums reimbursements.

- (7) On April 30, 2007, Kenneth R. Code was appointed Chief Technology Officer and his employment agreement provided for a pro-rated base salary of \$123,200 for the remainder of 2007. We made payments totaling \$123,200 in 2007. In 2008 the employment agreement for Mr. Code provided for a base salary of \$197,200, of which \$186,365 was paid in cash and the remaining 10,835 was accrued and unpaid as of December 31, 2008.

- (8) On December 28, 2007 we issued an option to Mr. Code to purchase 200,000 shares of our common stock. The option

was issued under our 2007 Plan and is exercisable at \$1.03 per share, expires ten years from the date of grant, and vests in equal installments on the first, second, and third anniversary date of the grant. The fair value of this option was \$185,040 and will be recorded as compensation expense ratably over the vesting period.

- (9) Consists of health insurance premium reimbursements and automobile allowance.

Table of Contents**Outstanding Equity Awards at Fiscal Year-End**

| Name | Number of Securities Underlying | Number of Securities Underlying | Equity Incentive Plan Awards: Number of Securities Underlying | Option Exercise Price | Share Price on Grant Date | Option Expiration Date |
|--------------------------|-------------------------------------|---------------------------------------|--|-----------------------|---------------------------|------------------------|
| | Unexercised Options (#) Exercisable | Unexercised Options (#) Unexercisable | Unexercised Unearned Options | | | |
| Dennis Calvert | 2,577,753 | 5,155,506(1) | | \$ 0.18(2) | \$ 0.37 | April 30, 2017 |
| | 66,667 | | 133,333(3) | \$ 0.94 | \$ 0.94 | December 28, 2017 |
| Joseph Provenzano | 33,334 | | 66,666(3) | \$ 0.94 | \$ 0.94 | December 28, 2017 |
| Kenneth R. Code | 66,667 | | 133,333(3) | \$ 1.03 | \$ 0.94 | December 28, 2017 |

(1) Mr. Calvert was granted an option to purchase 7,733,259 shares of our common stock pursuant to his employment agreement entered into on April 30, 2007. The options granted to Mr. Calvert vest over three years in equal amounts on the anniversary of the option grant date.

(2) The option exercise price of \$0.18 was below the \$0.37 closing price of our common stock

on the date of the employment agreement. In arriving at the option price, the Compensation Committee of our Board (the Compensation Committee) determined the pricing was appropriate based on a number of factors, including (i) that the initial tranche of options does not vest until one year of the date of grant, (ii) with the quantity of the shares that would be issued, a block of shares that size could not be liquidated without affecting the market price of the shares, and (iii) the shares would be restricted shares and thereafter would be subject to the volume and manner of sale limitations applicable to affiliates under Rule 144 under the Securities Act of 1933.

- (3) On December 28, 2007, the Compensation

Committee granted options to Messrs. Calvert, Provenzano and Code under the 2007 Plan, which options vest over three years in equal amounts on the anniversary of the option grant date.

Employment Agreements

Dennis P. Calvert

We entered into a new employment agreement dated as of April 30, 2007 with Mr. Calvert (the 2007 Calvert Employment Agreement). The previous employment agreement with Mr. Calvert, dated December 11, 2002, was terminated.

The 2007 Calvert Employment Agreement provides that Mr. Calvert will serve as our President and Chief Executive Officer, and receive (i) base compensation of \$184,800 annually (with an automatic 10% annual increase); and (ii) a bonus in such amount as the Compensation Committee may determine from time to time. In addition, Mr. Calvert will be eligible to participate in incentive plans, stock option plans, and similar arrangements as determined by our Board. When such benefits are made available to our senior employees, Mr. Calvert is also eligible to receive health insurance premium payments for himself and his immediate family, a car allowance of \$800 per month, paid vacation of four weeks per year plus an additional two weeks per year for each full year of service during the term of the agreement up to a maximum of ten weeks per year, life insurance equal to three times his base salary and disability insurance.

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The 2007 Calvert Employment Agreement provides that Mr. Calvert will be granted an option (the Option) to purchase 7,733,259 shares of our common stock. The Option shall be a non-qualified stock option, shall be exercisable at \$0.18 per share, shall be exercisable for ten years from the date of grant and shall vest over time as follows:

| | |
|---|-----------|
| First anniversary of the date of the Agreement | 2,577,753 |
| Second anniversary of the date of the Agreement | 2,577,753 |
| Third anniversary of the date of the Agreement | 2,577,753 |

Notwithstanding the foregoing, any portion of the Option which has not yet vested shall be immediately vested in the event of, and prior to, a change of control, as defined in the 2007 Calvert Employment Agreement. Consistent with the foregoing, the precise terms and conditions of the agreement evidencing the Option shall be as determined by the Board and/or the Compensation Committee.

The 2007 Calvert Employment Agreement has a term of five years, unless earlier terminated in accordance with its terms. The 2007 Calvert Employment Agreement provides that Mr. Calvert's employment may be terminated by the Company due to disability, for cause or without cause. Disability as used in the 2007 Calvert Employment Agreement means physical or mental incapacity or illness rendering Mr. Calvert unable to perform his duties on a long-term basis (i) as evidenced by his failure or inability to perform his duties for a total of 120 days in any 360 day period, or (ii) as determined by an independent and licensed physician whom Company selects, or (iii) as determined without recourse by the Company's disability insurance carrier. If Mr. Calvert's employment is terminated for cause he will be eligible to receive his accrued base compensation and vacation compensation through the date of termination. If Mr. Calvert's employment is terminated without cause, then he will be eligible to receive the greater of (i) one year's compensation plus an additional one half year for each year of service since the effective date of the employment agreement or (ii) one year's compensation plus an additional one half year for each year remaining in the term of the agreement.

The 2007 Calvert Employment Agreement requires Mr. Calvert to keep certain information confidential, not to solicit customers or employees of the Company or interfere with any business relationship of the Company, and to assign all inventions made or created during the term of the 2007 Calvert Employment Agreement as work made for hire.

Kenneth R. Code

As part of the completion of the acquisition of the BioLargo technology from IOWC, we entered into an Employment Agreement dated as of April 30, 2007 with Mr. Code (the Code Employment Agreement).

The Code Employment Agreement provides that Mr. Code will serve as our Chief Technology Officer, and receive (i) base compensation of \$184,800 annually (with an automatic 10% annual increase); and (ii) a bonus in such amount as the Compensation Committee may determine from time to time. In addition, Mr. Code will be eligible to participate in incentive plans, stock option plans, and similar arrangements as determined by the Board. When such benefits are made available to our senior employees, Mr. Code is also eligible to receive health insurance premium payments for himself and his immediate family, a car allowance of \$800 per month, paid vacation of four weeks per year plus an additional two weeks per year for each full year of service during the term of the agreement up to a maximum of ten weeks per year, life insurance equal to three times his base salary and disability insurance. The Code Employment Agreement has a term of five years, unless earlier terminated in accordance with its terms.

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The Code Employment Agreement also provides that Mr. Code's employment may be terminated by the Company due to disability, for cause or without cause. Disability as used in the Employment Agreement means physical or mental incapacity or illness rendering Mr. Code unable to perform his duties on a long-term basis (i) as evidenced by his failure or inability to perform his duties for a total of 120 days in any 360 day period, or (ii) as determined by an independent and licensed physician whom Company selects, or (iii) as determined without recourse by the Company's disability insurance carrier. If Mr. Code's employment is terminated for cause he will be eligible to receive his accrued base compensation and vacation compensation through the date of termination. If Mr. Code's employment is terminated without cause, then he will be eligible to receive the greater of (i) one year's compensation plus an additional one half year for each year of service since the effective date of the employment agreement or (ii) one year's compensation plus an additional one half year for each year remaining in the term of the agreement.

The Code Employment Agreement requires Mr. Code to keep certain information confidential, not to solicit customers or employees of the Company or interfere with any business relationship of the Company, and to assign all inventions made or created during the term of the Code Employment Agreement as work made for hire.

In connection with the closing of the acquisition of the BioLargo technology and the execution of the Code Employment Agreement, Mr. Code was also elected to the Board of both BioLargo and our wholly-owned subsidiary, BioLargo Life Technologies, Inc. (BLTI).

Joseph L. Provenzano

We entered into an employment agreement on March 1, 2003 (the 2003 Provenzano Agreement) with Joseph L. Provenzano, our Corporate Secretary. The 2003 Provenzano Agreement provides for Mr. Provenzano to be employed for five years at an annual base salary of \$130,800. The 2003 Provenzano Agreement provides that, at our discretion, we may choose to pay up to \$4,900 of Mr. Provenzano's monthly salary in the form of stock in lieu of cash.

Mr. Provenzano is also eligible to receive incentive bonuses, stock ownership participation and employee related benefits. The 2003 agreement further provides that bonuses will be payable based on the greater of a performance scale established by the Compensation Committee, assigned by the Board, or 1.5% of the annual increase in market capitalization value. The compensation plan includes those benefits of car allowance and insurance benefits and a standard vacation package. The 2003 Provenzano Agreement has certain minimum performance standards and calls for a severance package equal to one year's base compensation, plus an additional one half year's compensation for each year of service beginning in 2003. Standard confidentiality, company ownership rights to property and assets and arbitration clauses are included in the 2003 Provenzano Agreement.

In 2005, as a result of our reduced needs, the Company and Mr. Provenzano agreed that he would work for the Company on an as needed basis. In 2006, we accrued salary for Mr. Provenzano in the amount of \$101,200. Of this amount, \$61,200 related to services performed in 2006 and \$40,000 related to services performed in 2005 but which was not accrued in 2005. Of the total \$101,200, \$2,100 was paid in cash. On March 15, 2007, we converted \$99,000 of accrued and unpaid compensation to Mr. Provenzano into 264,001 shares of our common stock at \$0.375 per share, the closing price of our common stock on such date.

On January 10, 2008, we entered into a new employment agreement with Mr. Provenzano (the 2008 Provenzano Agreement), pursuant to which Mr. Provenzano agreed to serve as Vice President of Operations effective January 1, 2008, in addition to continuing to serve as Corporate Secretary. The 2008 Provenzano Agreement replaces the 2003 Provenzano Agreement.

The 2008 Provenzano Agreement provides that Mr. Provenzano will receive base compensation of \$79,200 annually (with automatic 10% annual increases). Mr. Provenzano is also entitled to reimbursement for authorized expenses he incurs in the course of his employment. In addition, Mr. Provenzano is eligible to receive discretionary bonuses, participate in benefits made generally available to our employees and receive grants under our 2007 Plan.

The initial term of the 2008 Provenzano Agreement is one year and is automatically renewable for additional one-year periods unless we have given at least 90 days' notice of non-renewal. The 2008 Provenzano Agreement also contains additional provisions typical of an agreement of this nature.

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In connection with the execution of the 2008 Provenzano Agreement, Mr. Provenzano also executed a non-disclosure agreement requiring him to keep certain Company information confidential, assigning creations and inventions during the term of his employment to the Company and prohibiting him from soliciting business during the term of his employment and for a period of time thereafter.

Effective January 1, 2009, the 2008 Provenzano Agreement was automatically extended for a period of one year.

Director Compensation

Each director who is not an officer or employee of the Company receives an annual retainer of \$40,000, paid in cash or shares of our common stock, in our sole discretion. In addition, the chairman of each board committee receives an additional \$10,000, paid in cash or shares of common stock, in our sole discretion.

Director Compensation for Fiscal Year 2008

| Name | Fees Earned or | Stock | Non-Equity Incentive | All Other | Total |
|--------------------|----------------------|---------------------|-------------------------|--------------|-----------|
| | Fees Paid in Cash | or Option Awards | Plan Compensation | Compensation | |
| Dennis E. Marshall | \$ 60,000(1) | \$ 14,500(3) | \$ | \$ | \$ 74,500 |
| Gary A. Cox | \$ 40,000(2) | \$ 14,500(3) | \$ | \$ | \$ 54,500 |

- (1) In 2008 the retainer for Mr. Marshall provided for a base amount of \$60,000, which included two Chairmanship positions on our Board of Directors. During 2008, we made one payment of \$10,000 to Mr. Marshall, consisting of 16,950 shares of our common stock, issued at a conversion price of \$0.59 per share, the stock price at the date of grant. The remaining balance of \$50,000 was

accrued and
unpaid as of
December 31,
2008.

- (2) In 2008 the
retainer for
Mr. Cox
provided for a
base amount of
\$40,000. In
2008 we made
payments
totaling \$12,000
and the
remaining
balance of
\$28,000 was
accrued and
unpaid as of
December 31,
2008.

- (3) On May 29,
2008, each of
Mr. Marshall
and Mr. Cox
were granted an
option to
purchase 10,000
shares of
common stock
under the terms
of the 2007
Plan.

Equity Compensation Plans

On August 7, 2007, our Board adopted the BioLargo, Inc. 2007 Equity Incentive Plan (2007 Plan) as a means of providing our directors, key employees and consultants additional incentive to provide services. Both stock options and stock grants may be made under this plan. The Compensation Committee administers this plan. The plan allows grants of common shares or options to purchase common shares. As plan administrator, the Compensation Committee has sole discretion to set the price of the options. The Compensation Committee may at any time amend or terminate the plan.

Under this plan, 6,000,000 shares of our common stock are reserved for issuance under awards. Any shares that are represented by awards under the 2007 Plan that are forfeited, expire, or are canceled or settled in cash without delivery of shares, or that are forfeited back to us or reacquired by us after delivery for any reason, or that are tendered to us or withheld to pay the exercise price or related tax withholding obligations in connection with any award under the 2007 Plan, will again be available for awards under the 2007 Plan. Only shares actually issued under the 2007 Plan will reduce the share reserve. If we acquire another entity through a merger or similar transaction and issue replacement awards under the 2007 Plan to employees, officers and directors of the acquired entity, those awards, to the extent permitted under applicable laws and securities exchange rules, will not reduce the number of shares reserved for the 2007 Plan.

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The 2007 Plan imposes additional maximum limitations, which limitations will be adjusted to take into account stock splits, reverse stock splits and other similar occurrences. The maximum number of shares that may be issued in connection with incentive stock options granted to any one person in any calendar year intended to qualify under Internal Revenue Code Section 422 is 160,000 shares. The maximum number of shares that may be subject to stock options or stock appreciation rights granted to any one person in any calendar year is 200,000 shares, except that this limit is 400,000 shares if the grant is made in the year of the recipient's initial employment. The maximum number of shares that may be subject to restricted stock or restricted stock units granted to any one person in any calendar year is 200,000 shares. The maximum number shares that may be subject to awards granted to any one Participant in any calendar year of (i) performance shares, and/or performance units (the value of which is based on the Fair Market Value of a Shares), is 200,000 Shares; and (ii) of performance units (the value of which is not based on the Fair Market Value of a Share) that could result a payment of more than \$500,000.

Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth information regarding the beneficial ownership of shares of our common stock as of March 31, 2009 by (i) all stockholders known to the Company to be beneficial owners of more than 5% of the outstanding common stock; (ii) each director and executive officer of the Company individually, and (iii) all directors and executive officers of the Company as a group:

| Name and Address of Beneficial Owner(1) | Amount of Beneficial Ownership | Percent of Class (2) |
|---|--------------------------------------|----------------------------|
| Directors and Officers | | |
| Kenneth R. Code(3) | 22,826,315 | 53.8% |
| Dennis P. Calvert(4) | 7,444,611 | 15.6% |
| Joseph L. Provenzano (5) | 634,110 | 1.5% |
| Gary A. Cox(6) | 435,337 | 1.0% |
| Dennis E. Marshall(7) | 208,603 | 0.5% |
| Charles K. Dargan II (8) | 200,000 | 0.5% |
| All directors and officers as a group (6 persons) | 31,748,976 | 66.3% |

(1) Except as noted in any footnotes below, each person has sole voting power and sole dispositive power as to all of the shares shown as beneficially owned by them. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities.

(2) Percentage ownership is based on 42,349,018 shares of common stock outstanding on March 31, 2009. Shares of common stock subject to options, warrants and convertible notes currently exercisable or convertible, or exercisable or convertible within 60 days, are deemed outstanding for determining the number

of shares beneficially owned by the directors and officers, and the directors and officers as a group, and for computing the percentage ownership of the person holding such options, but are not deemed outstanding for computing the percentage ownership of any other person.

- (3) Includes 22,139,012 shares issued on April 30, 2007 to IOWC Technologies, Inc., which Mr. Code controls, in connection with the acquisition by the Company of certain intellectual property and other assets on that date. Includes 66,666 shares issuable to Mr. Code upon exercise of a portion of the option issued pursuant to the 2007 plan on December 28, 2007, which option vests over three years in equal amounts on the anniversary of the option grant date.
- (4) Includes 1,636,364 shares issued on April 13, 2007 to New Millennium Capital Partners, LLC (New Millennium), which is wholly owned or controlled by Mr. Calvert, on conversion of the principal amount of a promissory note held by New Millennium. Does not include shares issuable upon conversion of the remaining interest due pursuant to the New Millennium Note. See

Certain Relationships and Related Transactions Transactions with Dennis Calvert and New Millennium Capital Partners, LLC. Includes 5,155,506 shares issuable to Mr. Calvert upon exercise of a portion the option issued in connection with his employment agreement, 2,577,753 of which vested on April 30, 2008, and 2,577,753 of which vests on April 30, 2009. Includes 66,666 shares issuable to Mr. Calvert upon exercise of a portion of the option issued pursuant to the 2007 plan on December 28, 2007, which option vests over three years in equal amounts on the anniversary of the option grant date.

- (5) Includes 33,333 shares issuable to Mr. Provenzano upon exercise of a portion of the option issued pursuant to the 2007 plan on December 28, 2007, which option vests over three years in equal amounts on the anniversary of the option grant date.

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- (6) Includes 10,000 shares issuable upon exercise of an option issued pursuant to the 2007 Plan on September 6, 2007. Includes 10,000 shares issuable upon exercise of an option issued pursuant to the 2007 Plan on May 29, 2008.

- (7) Includes 10,000 shares issuable upon exercise of an option issued pursuant to the 2007 Plan on September 6, 2007. Includes 10,000 shares issuable upon exercise of an option issued pursuant to the 2007 Plan on May 29, 2008.

- (8) Consists of options to purchase 200,000 shares of our Common Stock issued pursuant to our agreement with Mr. Dargan in which he was appointed as our Chief Financial Officer effective February 1, 2008, and the extension of that

agreement
effective
February 1,
2009.

Table of Contents**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS****Transactions with Dennis Calvert and New Millennium Capital Partners, LLC**

New Millennium Note. In conjunction with our acquisition of a technology license from Med Wireless, Inc. (Med Wireless) on August 21, 2002, we assumed a \$1,120,000 promissory note (the Med Wireless Note) with interest at 10% per annum payable by Med Wireless to Summitt Ventures, Inc. (Summitt Ventures). On March 26, 2003, Summitt Ventures sold the Med Wireless Note, together with 167,258 shares (all share amounts and share prices in this section have been adjusted for the 1-for-25 reverse split of our common stock on March 21, 2007) of the Company s common stock, to New Millennium Capital Partners LLC (New Millennium), a limited liability company controlled and owned in part by the Company s CEO and president, Dennis Calvert, in exchange for a \$900,000 promissory note issued by New Millennium in favor of Summitt Ventures. Neither Med Wireless nor Summitt Ventures is or was controlled by, controlling, or under common control with, either New Millennium or Mr. Calvert. From time to time following New Millennium s acquisition of the Med Wireless Note, we have held discussions with New Millennium concerning potential amendments to the Med Wireless Note to amend payment dates and to add conversion features. New Millennium also agreed to waive a payment default with respect to a \$100,000 installment payment originally due on October 1, 2003. On April 28, 2006, New Millennium agreed to amend the Med Wireless Note to (i) extend the due date to January 15, 2008; (ii) waive any payments of interest until the Med Wireless Note becomes due; (iii) reduce the principal amount of the Note from \$1,120,000 to \$900,000, equal to a 19.6% reduction; and (iv) correspondingly reduce the accrued but unpaid interest due under the terms of the Note from \$317,956 to \$255,636, also equal to a 19.6% reduction.

On April 13, 2007, New Millennium converted the \$900,000 principal amount of the Note into 1,636,364 shares of our common stock, at a price of \$0.55 per share, which was the last bid price on the date of conversion. Accrued but unpaid interest in the amount of \$380,658 as of the conversion date of April 13, 2007 remained outstanding on the Note, which amount was due to be paid on January 15, 2008. We did not make such payment on such date. On November 12, 2008, we agreed to further extend the date on which interest would be paid to April 30, 2009. On April 27, 2009, New Millennium agreed to accept as payment of \$230,658 of the outstanding \$380,658 in accrued but unpaid interest an option to purchase 691,974 shares of our common stock, exercisable at \$0.55 cents per share. This option will expire April 24, 2012. New Millennium further agreed to extend the due date for the remaining \$150,000 unpaid interest to April 30, 2010.

Retirement of a Portion of Board of Director and Officer Payables

On April 27, 2009, in an effort to preserve cash and reduce outstanding payables to third parties, officers and board members, the Board offered an option to purchase common stock in lieu of cash payment to reduce amounts owed. The options may be exercised at \$0.50 cents a share, an amount which was 20 cents a share above the 30 cents per share closing price of the Company s common stock on April 27, 2009, would be issued pursuant to the 2007 Plan, and would expire April 27, 2012. The number of shares of common stock purchasable pursuant to the option would be equal to three times the dollar amount reduced by the particular optionee.

Each member of the Board opted to reduce outstanding accrued and unpaid compensation pursuant to the terms set by the Board and offered to third parties to whom the Company owed money. Msrs. Calvert and Code reduced the outstanding amount owed to each by \$20,000, and in exchange each received options to purchase 60,000 shares of common stock. The options issued to Msrs. Calvert and Code were exercisable at \$0.55 per share, which is ten percent above the exercise price, per the terms of the 2007 Plan. Mr. Provenzano reduced the outstanding amount owed to him by \$10,000, and in exchange received an option to purchase 30,000 shares of common stock at \$0.50 per share. Mr. Marshall reduced the outstanding amount owed to him by \$50,000, and in exchange received an option to purchase 150,000 shares of common stock at \$0.50 per share. Mr. Cox reduced the outstanding amount owed to him by \$38,000, and in exchange received an option to purchase 114,000 shares of common stock at \$0.50 per share. In addition to these Board members, our Chief Financial Officer reduced the outstanding amount owed to him by \$12,000, and in exchange received an option to purchase 36,000 shares of common stock at \$0.50 per share.

Table of Contents**PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The following table summarizes the fees billed by Jeffrey S. Gilbert, our principal accountant, for professional services rendered to the Company and its subsidiaries during 2007 and 2008:

| Type of Fee | Amount Billed and Paid | |
|--------------------|-------------------------------|-------------------------|
| | Fiscal Year 2007 | Fiscal Year 2008 |
| Audit Fees(1) | \$ 49,300 | \$ 64,075 |
| Audit-Related(2) | 11,000 | 1,650 |
| Total | \$ 60,300 | \$ 65,725 |

- (1) This category consists of fees for the audit of our annual financial statements included in our annual report on Form 10-K, as amended, and review of the financial statements included in the Company's quarterly reports on Form 10-Q. This category also includes advice on audit and accounting matters that arose during, or as a result of, the audit or the review of interim financial statements, statutory audits required by non-U.S. jurisdictions and the preparation of an annual

management
letter on internal
control matters.

- (2) Represents services that are normally provided by the independent auditors in connection with statutory and regulatory filings or engagements for those fiscal years, aggregate fees charged for assurance and related services that are reasonably related to the performance of the audit and are not reported as audit fees. These services include consultations regarding Sarbanes-Oxley Act requirements, various SEC filings and the implementation of new accounting requirements.

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REPORT OF COMPENSATION COMMITTEE

The following Report of the Compensation Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any of our other filings under the Securities Act of 1933, as amended (the Securities Act), or the Exchange Act, except to the extent that we specifically incorporate this report. The Compensation Committee has furnished this report on executive compensation for the 2008 fiscal year.

Compensation Program and Philosophy

The Compensation Committee administers the Company's executive compensation program. The Compensation Committee has the authority to review and determine the salaries and bonuses of the executive officers of the Company, including the Chief Executive Officer and the other Named Executive Officers, and to establish the general compensation policies for such individuals. The Compensation Committee also has the sole and exclusive authority to make discretionary option grants to all of the Company's employees under the Company's equity incentive plans. The Compensation Committee operates under a written charter. The duties and responsibilities of a member of the Compensation Committee are in addition to his or her duties as a member of the Board. The charter reflects these various responsibilities, and the Committee is charged with periodically reviewing the charter. The Committee's membership is determined by the Board and is composed entirely of independent directors. In addition, the Committee has the authority to engage the services of outside advisors, experts and others, including independent compensation consultants who do not advise the Company, to assist the Committee. Mr. Marshall has served as Chairman of the Compensation Committee since April 28, 2006. Mr. Cox also serves on the Compensation Committee. The Compensation Committee met once and acted by written consent once during 2008.

The Compensation Committee believes that the compensation programs for the Company's executive officers should reflect the Company's performance, support the short- and long-term strategic goals and values of the Company, reward individual contribution to the Company's success and align the interests of the Company's executive officers with the interests of the Company's stockholders. The Company is engaged in a very competitive industry, and the Company's success depends upon its ability to attract and retain qualified executives through the competitive compensation packages it offers to such individuals. To that end, it is the view of the Board that the total compensation program for executive officers should consist of all or most of the following components:

base salary

bonus

equity-based compensation

The Committee does not rely solely on predetermined formulas or a limited set of criteria when it evaluates the performance of the Company's chief executive officer and the Company's other executive officers. Typically, our Chief Executive Officer makes compensation recommendations to the Committee with respect to the compensation of our officers, and the Committee may accept or adjust such recommendations in its discretion. In 2008, the Committee considered management's continuing achievement of its short- and long-term goals versus its strategic imperatives. The principal factors that were taken into account in establishing each executive officer's compensation package for the 2008 fiscal year are described below. However, the Compensation Committee may in its discretion apply entirely different factors, such as different measures of financial performance, for future fiscal years. Moreover, all of the Company's Named Executive Officers have entered into employment agreements or arrangements with the Company, and many components of each such person's compensation are set by such agreement or arrangement.

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Chief Executive Officer Compensation

On April 30, 2007, the Company entered into an employment agreement with Mr. Calvert, pursuant to which, throughout 2008, Mr. Calvert served as the President, Chief Executive Officer and Interim Chief Financial Officer (until Mr. Dargan was retained February 1, 2008). No modifications to Mr. Calvert's employment agreement were made in 2008. Other provisions of Mr. Calvert's Employment Agreement are discussed elsewhere in this Information Statement. See EXECUTIVE COMPENSATION Employment Agreements *Dennis P. Calvert* above.

Chief Technology Officer Compensation

On April 30, 2007, the Company entered an employment agreement with Mr. Code, pursuant to which, throughout 2008, Mr. Code served as the Company's Chief Technology Officer. Other provisions of Mr. Code's employment agreement are discussed elsewhere in this Information Statement. See EXECUTIVE COMPENSATION Employment Agreements *Kenneth R. Code* above.

Other Executive Compensation

As part of the negotiations with Mr. Provenzano, our Chief Executive Officer consulted with certain individual members of the Committee and legal counsel with respect to terms and conditions of his employment agreement. In January 2008 our Chief Executive Officer made recommendations to the Committee that the Committee approve a new employment agreement with Mr. Provenzano. The Committee reviewed and evaluated such recommendations and, following the completion of the Committee's evaluation, the Board reviewed and approved the employment agreement for Mr. Provenzano, as recommended by the Chief Executive Officer and the Committee.

Deductibility of Executive Compensation

Section 162(m) of the Internal Revenue Code disallows a tax deduction to publicly-held companies for compensation paid to certain of their executive officers, to the extent that compensation exceeds \$1 million per covered officer in any fiscal year. The limitation applies only to compensation which is not considered to be performance based. Non-performance based compensation paid to the Company's executive officers for the 2008 fiscal year did not exceed the \$1 million limit per officer, and the Compensation Committee does not anticipate that the non-performance based compensation to be paid to the Company's executive officers for the 2009 fiscal year will exceed that limit. Because it is unlikely that the cash non-performance based compensation payable to any of the Company's executive officers in the foreseeable future will approach the \$1 million limit, the Compensation Committee has decided at this time not to take any action to limit or restructure the elements of cash compensation payable to the Company's executive officers. The Compensation Committee will reconsider this decision should the individual cash non-performance based compensation of any executive officer ever approach the \$1 million level.

Submitted by the Compensation Committee:

/s/ Dennis E. Marshall, Chair

/s/ Gary A. Cox

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REPORT OF AUDIT COMMITTEE

The following report of the Audit Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any of our other filings under the Securities Act or the Exchange Act, except to the extent that we specifically incorporate this report by reference therein, and shall not be deemed to be soliciting material or otherwise deemed filed under either such Act.

The Audit Committee is currently comprised of two independent directors, both of whom are independent under the rules of the SEC and Nasdaq. Mr. Marshall serves as Chairman of the Audit Committee. Mr. Cox also serves on the Audit Committee. The Board has determined that Mr. Marshall qualifies as an audit committee financial expert as defined in Item 401(h) of Regulation S-K of the Securities Exchange Act of 1934, as amended. The duties and responsibilities of a member of the Audit Committee are in addition to his or her duties as a member of the Board. The Audit Committee operates under a written charter, a copy of which is available on the Company's corporate website. The Audit Committee met six times during 2008.

The Audit Committee's primary duties and responsibilities are to:

engage the Company's independent auditor,

monitor the independent auditor's independence, qualifications and performance,

pre-approve all audit and non-audit services,

monitor the integrity of the Company's financial reporting process and internal control systems,

provide an open avenue of communication among the independent auditor, financial and senior management of the Company and the Board, and

monitor the Company's compliance with legal and regulatory requirements, contingent liabilities, risk assessment and risk management.

Management is responsible for the Company's internal controls and the financial reporting process. The Company's independent auditor is responsible for performing an independent audit of the Company's consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board and issuing a report thereon. The Audit Committee's responsibility is to monitor and oversee these processes.

In carrying out these responsibilities, the Audit Committee monitored the scope and staffing of the Company's internal management group that was previously established by the Company and held meetings with the Company's internal auditor regarding the progress and completion of the implementation of the Company's internal controls and the scope of their audit of such internal controls.

In overseeing the preparation of the Company's financial statements, the Audit Committee held meetings with the Company's internal auditor and independent auditors, both in the presence of management and privately, to review and discuss all financial statements prior to their issuance and to discuss the overall scope and plans for their respective audits, the evaluation of the Company's internal controls and significant accounting issues. Management advised the Audit Committee that all financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, and the Audit Committee discussed the statements with both management and the Company's independent auditors. In accordance with Section 204 of the Sarbanes-Oxley Act of 2002 and the Statement on Auditing Standards (SAS) No. 61 (Communication With Audit Committees) as amended by SAS No. 90 (Audit Committee Communications), the Audit Committee has discussed with the Company's independent auditors all matters required to be discussed under the Sarbanes-Oxley Act and the foregoing standards.

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With respect to the Company's independent auditors, the Audit Committee, among other things, discussed with Jeffrey S. Gilbert matters relating to its independence, including the written disclosures made to the Audit Committee as required by the Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees).

The Audit Committee also reviewed and approved the audit and non-audit fees of Mr. Gilbert.

On the basis of these reviews and discussions, the Audit Committee (i) appointed Mr. Gilbert as the Company's independent registered public accounting firm for the 2009 fiscal year and (ii) recommended to the Board that the Board approve the inclusion of the Company's audited financial statements in the Form 10-K for the year ended December 31, 2008 for filing with the SEC.

Submitted by the Audit Committee:

/s/ Dennis E. Marshall, Chair

/s/ Gary A. Cox

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STOCKHOLDER PROPOSALS

From time to time stockholders present proposals that may be proper subjects for inclusion in a proxy statement and for consideration at an annual meeting of stockholders. Under the rules of the SEC, to be included in the proxy statement for our 2010 annual meeting of stockholders, proposals must be received by us no later than March 1, 2010.

ANNUAL REPORT ON FORM 10-K

We filed with the SEC our Annual Report for the year ended December 31, 2008 on Form 10-K on March 31, 2009. A copy of the 10-K has been made available on the Internet or mailed to all stockholders along with this information statement. Stockholders may obtain additional copies of the 10-K and the exhibits thereto, without charge, by writing to our Corporate Secretary, at our principal executive offices at 2603 Main Street, Suite 1155, Irvine, California 92614.

We incorporate by this reference herein the Company's Financial Statements and the notes thereto, and the discussions under the captions Description of Business, Description of Properties, Legal Proceedings, Management's Discussion and Analysis of Financial Condition and Results of Operations contained in the 10-K.

OTHER MATTERS

Management does not know of any matters to be considered by the Consenting Stockholders other than those set forth herein and in the notice accompanying this information statement.

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

By Order of the Board of Directors,

Dennis Calvert
Chairman
Irvine, California
May 15, 2009