As filed with the Securities and Exchange Commission on October 28, 2005

Registration Number 333-127071

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 1 TO
FORM SB-2
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

XENOMICS, INC.
(Name of Small Business Issuer in its Charter)

Florida	8731	04-3721895
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

420 Lexington Avenue, Suite 1701
New York, New York 10170
(212) 729-9216
(Address and telephone number of principal executive offices)

V. Randy White, Ph.D.
Chief Executive Officer
Xenomics, Inc.
420 Lexington Avenue, Suite 1701
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(Name, address and telephone number of agent for service)

Copies to:
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1065 Avenue of the Americas, 21st Floor
New York, New York 10018
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Approximate date of commencement of proposed sale to the public: From time to time 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, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. x

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 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, please 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 number of the earlier effective registration statement for the same offering. o _____

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount To Be Registered	Proposed Maximum Offering Price Per Share (1)	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, $.0001 par value per share	5,436,597	$2.46	$13,374,028.62	$1,574.12
Common Stock, $.0001 par value per share	103,107 (2)	$2.46	$253,643.00	$29.85
Common Stock, $.0001 par value per share, issuable upon conversion of Series A Convertible Preferred Stock	1,288,837 (3)	$2.46	$3,170,539.02	$373.17
Common Stock, $.0001 par value per, issuable upon exercise of common stock purchase warrants	2,133,178 (4)	$2.46	$5,247,617.88	$617.64
Total	8,961,719		$22,045,828.52	$2,594.78 (5)

(1) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(c) under the Securities Act of 1933, as amended. The average of the high and low price per share of the Registrant's Common Stock on the Over the Counter Bulletin Board as of July 26, 2005 was $2.46 per share.

(2) Represents shares of Common Stock that may be issued as dividends pursuant to the terms of the Series A Convertible Preferred Stock, assuming that the effective issuance rate for such shares is $2.15 per share.

(3) Represents shares of Common Stock that may be issued upon conversion of shares of Series A Convertible Preferred Stock, assuming an effective conversion rate of $2.15 per share. Pursuant to Rule 416 there are being registered such additional number of shares of common stock as may become issuable pursuant to the anti-dilution provisions of the shares of Series A Convertible Preferred Stock.

(4) Pursuant to Rule 416 there are being registered such additional number of shares of Common Stock as may become issuable pursuant to the anti-dilution provisions of the warrants.

(5) Previously paid $2,594.81

The registrant hereby amends this registration statement on such date or date(s) 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, as amended, or until the registration statement shall become effective on such date as the commission acting pursuant to said Section 8(a) may determine.

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

PROSPECTUS

Subject to Completion, Dated October 28, 2005

XENOMICS, INC.

8,961,719 Shares of Common Stock

We are registering 8,961,719 shares of our common stock, par value $0.0001 per share, for resale by the selling stockholders identified in this prospectus. Of such shares 1,288,837 are issuable from time to time upon conversion of 277,100 shares of Series A Convertible Preferred Stock and 2,133,178 shares are issuable upon exercise of outstanding warrants. In addition, 103,107 of the shares of common stock covered by this prospectus are issuable as in-kind dividends with respect to the 277,100 shares of Series A Convertible Preferred Stock.

We will not receive any proceeds from the sale of shares of our common stock by the selling shareholders. However, we will receive the exercise price of any common stock we sell to the selling stockholders upon exercise of the warrants. We will bear all expenses in connection with the registration of the shares, other than underwriting discounts and selling commissions.

Our common stock currently trades on the Over the Counter Bulletin Board ("OTC Bulletin Board") under the symbol "XNOM.OB."

On October 26, 2005, the last reported sale price for our common stock on the OTC Bulletin Board was $2.04 per share.

The securities offered in this prospectus involve a high degree of risk. See "Risk Factors" beginning on page 6 of this prospectus to read about factors you should consider before buying shares of our common stock.

The selling stockholders are offering these shares of common stock . We do not know when or if the selling stockholders intend to sell the shares covered by this prospectus or what the price, terms or conditions of any sales will be. The selling stockholders may sell all or a portion of these shares from time to time in market transactions through any market on which our common stock is then traded, in negotiated transactions or otherwise, and at prices and on terms that will be determined by the then prevailing market price or at negotiated prices directly or through a broker or brokers, who may act as agent or as principal or by a combination of such methods of sale. For additional information on the methods of sale, you should refer to the section entitled "Plan of Distribution."

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined whether this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this Prospectus is _____, 2005

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You may only rely on the information contained in this prospectus or that we have referred you to. We have not authorized anyone to provide you with different information. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the common stock offered by this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any common stock in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this prospectus nor any sale made in connection with this prospectus shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information contained by reference to this prospectus is correct as of any time after its date.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. You should read the entire prospectus carefully, including, the section entitled "Risk Factors" before deciding to invest in our common stock. Xenomics, Inc. is referred to throughout this prospectus as "Xenomics," "we" or "us."

General

We are a development stage molecular diagnostic company that focuses on the development of DNA-based tests using transrenal DNA or Tr-DNA. Tr-DNAs are fragments of DNA derived from dying cells inside the body compartment. The intact DNA is fragmented in these dying cells, appears in the blood stream and these fragments have been shown to cross the kidney barrier and can be detected in urine. Our patented technology uses safe and simple urine collection and can be applied to a broad range of testing including: prenatal genetic testing, tumor detection and monitoring, tissue transplantation, infectious disease, forensic identification, drug development and bio-terrorism. In March 2004, we organized a joint venture with the Spallanzani National Institute for Infectious Diseases (Instituto Nazionale per le Malattie Infettive) in Rome, Italy, in the form of a new R&D company called SpaXen Italia, S.R.L, or SpaXen, which will conduct research and development on non-invasive diagnostic tests for infectious disease using Tr-DNA methodology.

We were incorporated in the State of Florida on April 26, 2002 as Used Kar Parts, Inc. On July 2, 2004, we acquired Xenomics, an unaffiliated California corporation (“Xenomics Sub”) by issuing 2,258,001 shares of our common stock to Xenomics Subs’ five shareholders in exchange for all outstanding shares of Xenomics Sub stock (the "Exchange"). Xenomics Sub was formed on August 4, 1999. For accounting purposes, the acquisition has been treated as an acquisition of Used Kar Parts, Inc. by Xenomics Sub and as such a recapitalization of Xenomics Sub. Accordingly, the historical financial statements from inception on August 4, 1999 to July 2, 2004 are those of Xenomics Sub

The Exchange was made according to the terms of a Securities Exchange Agreement dated May 18, 2004. As part of the Exchange, we:

- amended our articles of incorporation to change our corporate name to "Xenomics, Inc." and to split our stock outstanding prior to the redemption 111 for 1 (effective July 26, 2004).
- redeemed 1,971,734 pre-split shares (the equivalent of 218,862,474 post-split shares) from Panetta Partners Ltd., a principal shareholder at the time, for $500,000 or $0.0023 per share.
- entered into employment agreements with two of the former Xenomics Sub shareholders and a consulting agreement with one of the former Xenomics Sub shareholders.
- entered into a Voting Agreement with certain investors, the former Xenomics Sub shareholders and certain principal shareholders.
- entered into a Technology Acquisition Agreement with the former Xenomics Sub shareholders under which we granted an option to the former Xenomics Sub holders to acquire Xenomics Sub technology if we fail to apply at least 50% of the net proceeds of financing we raise to the development of Xenomics Sub technology during the period ending July 1, 2006 in exchange for all of our shares and share equivalents held by the former Xenomics Sub holders at the time such option is exercised.

Our principal executive office is located at 420 Lexington Avenue, Suite 1701, New York, New York 10170 and our telephone number is (212) 297-0808. Our website address is www.xenomics.com.

Recent Developments

On July 13, 2005, we closed a private placement of 277,100 shares of Series A Convertible Preferred Stock and 386,651 warrants to certain investors for aggregate gross proceeds of $2,771,000. The shares of Series A Convertible Preferred Stock are convertible at any time by the holder into shares of common stock at $2.15 per share. The warrants are immediately exercisable at $3.25 per share and are exercisable at any time within five years from the date of issuance. We paid an aggregate $277,100 and issued an aggregate 105,432 warrants to purchase common stock to certain selling agents. The warrants are immediately exercisable at $3.25 per share and will expire five years after issuance.

This Offering

Shares offered by Selling Stockholders	8,961,719 shares of common stock, including 1,288,837 shares of common stock issuable upon conversion of the Series A Convertible Preferred Stock, 103,107 shares of common stock issuable as a dividend with respect to the Series A Convertible Preferred Stock and 2,133,178 shares of common stock issuable upon the exercise of warrants.
Use of Proceeds	We will not receive any proceeds from the sale of the common stock. However, we will receive the exercise price of any common stock we sell to the selling stockholder upon exercise of the warrants. We expect to use the proceeds received from the exercise of their warrants, if any, for general working capital purposes.
Risk Factors	The purchase of our common stock involves a high degree of risk. You should carefully review and consider "Risk Factors" beginning on page 6
OTC Bulletin Board Trading Symbol	XNOM.OB

RISK FACTORS

You should carefully consider the following risk factors and the other information included herein before investing in our common stock. If any of the following risks actually occurs, our business, financial condition or results of operations could be harmed. The trading price of our common stock could decline due to any of these risks, and you may lose part or all of your investment.

Risks Related to Our Business

We are a development stage company and may never commercialize any of our products or services or earn a profit.

We are a development stage company and have incurred losses since we were formed. From our date of inception, April 26, 2002, through July 31, 2005, we have accumulated a total deficit of $5,585,674. To date, we have experienced negative cash flow from development of the Tr-DNA technology. We currently have no products ready for commercialization, have not generated any revenue from operations and expect to incur substantial net losses for the foreseeable future to further develop and commercialize the Tr-DNA technology. We cannot predict the extent of these future net losses, or when we may attain profitability, if at all. If we are unable to generate significant revenue from the Tr-DNA technology or attain profitability, we will not be able to sustain operations.

We will need to raise substantial additional capital to fund our operations, and our failure to obtain funding when needed may force us to delay, reduce or eliminate our product development programs or collaboration efforts.

The development of our business will require substantial additional capital in the future to, among other things, fund our operations and conduct research and development and commercialize our Tr-DNA technology. We have historically relied upon private sales of our equity to fund our operations. We currently have no credit facility or committed sources of capital. If our capital resources are insufficient to meet future requirements, we will have to raise additional funds to continue the development and commercialization of our Tr-DNA technology. When we seek additional capital, we may seek to sell additional equity or debt securities or to obtain a credit facility, which we may not be able to do on favorable terms, or at all. Our ability to obtain additional financing will be subject to a number of factors, including market conditions, our operating performance and investor sentiment. If we are unable to raise additional capital when required or on acceptable terms, we may have to significantly delay, scale back or discontinue the development and/or commercialization of one or more of our product candidates, restrict our operations or obtain funds by entering into agreements on unattractive terms.

Our stockholders may experience significant dilution as a result of any additional financing using our equity securities or debt securities

To the extent that we raise additional funds by issuing equity securities or convertible debt securities, our stockholders may experience significant dilution. Sale of additional equity or convertible debt securities at prices below certain levels will trigger anti-dilution provisions with respect to certain securities we have previously sold. If additional funds are raised through a credit facility or the issuance of debt securities or preferred stock, lenders under the credit facility or holders of these debt securities or preferred stock would likely have rights that are senior to the rights of holders of our common stock, and any credit facility or additional securities could contain covenants that would restrict our operations.

Our Series A Convertible Preferred Stock financing arrangement contains certain covenants that limit the way we can conduct business.

Our recently completed Series A Convertible Preferred Stock financing arrangement includes various covenants limiting our ability to pay dividends and make other distributions and issuing securities senior or equivalent to the Series A Convertible Preferred Stock. We also granted the investors a participation right in future financings and agreed that for the period prior to the effectiveness of this registration statement we would not effect subsequent placements of our securities, subject to certain exemptions from these restrictions. These covenants may limit us in raising additional capital, competing effectively or taking advantage of new business opportunities.

We may lose the rights to our Tr-DNA technology if we expend less than 50% of the proceeds from our aggregate financings on development of the Tr-DNA technology.

We are a party to a technology acquisition agreement dated June 24, 2004 with L. David Tomei, Co-Chairman, Samuil

Umansky, President, Hovsep Melkonyan, Vice President, Research, Anatoly Lichtenstein and Kathryn Wilkie (collectively, the "Shareholders") and Xenomics Sub pursuant to which the Shareholders have the option for a period of 90 days after the delivery of an accounting from us (due by August 1, 2006) to acquire the Tr-DNA technology from us in the event we expended less than 50% of the aggregate net proceeds received by us from our aggregate equity or debt financings during the two year period ending on July 2, 2006, on development of the Tr-DNA technology. In the event the option becomes exercisable after July 2, 2006, the Shareholders may exercise in which case we will be forced to dispose of the Tr-DNA technology and we will more than likely cease our development program and be unable to sustain operations.

The commercial success of our product candidates will depend upon the degree of market acceptance of these products among physicians, patients, health care payors and the medical community.

The use of the Tr-DNA technology has never been commercialized for any indication. Even if approved for sale by the appropriate regulatory authorities, physicians may not order diagnostic tests based upon the Tr-DNA technology, in which event we may be unable to generate significant revenue or become profitable. Acceptance of the Tr-DNA technology will depend on a number of factors including:

- acceptance of products based upon the Tr-DNA technology by physicians and patients as safe and effective diagnostic products,
- adequate reimbursement by third parties;
- cost effectiveness;
- potential advantages over alternative treatments; and
- relative convenience and ease of administration.

Our failure to obtain human urine samples from medical institutions for our clinical studies will adversely impact the development of our Tr-DNA technology.

We have executed research contracts with North Shore - Long Island Jewish (LIJ) Health System in Lake Success, New York and Eastern Virginia Medical School in Norfolk, Virginia in order to obtain human urine samples from pregnant women for our clinical studies. The research contract with North Shore - Long Island Jewish (LIJ) Health System is subject to Institutional Review Board, or IRB, approval. There can be no assurance we will receive IRB approval from North Shore - Long Island Jewish (LIJ) Health System. These research contracts require that we satisfy certain performance milestones in order to continue our clinical studies. These performance milestones include:

- the presence of sufficient Tr-DNA of fetal origin during first trimester of pregnancy to perform genetic testing;
- our ability to reliably harvest Tr-DNA of fetal origin from random maternal urine collection;
- developing a method with sufficient sensitivity to provide a reliable "negative" result; and
- developing a method with an acceptable false positive rate.

In the event we do not meet any of these performance milestones our clinical studies may be materially adversely affected which would have an adverse effect on our development plan.

If our clinical studies do not prove the superiority of our technologies, we may never sell our products and services.

The results of our clinical studies may not show that tests using our Tr-DNA technology are superior to existing testing methods. In that event, we will have to devote significant financial and other resources to further research and development, and commercialization of tests using our technologies will be delayed or may never occur. Our earlier clinical studies were small and included samples from high-risk patients. The results from these earlier studies may not be representative of the results we obtain from any future studies, including our next two clinical studies, which will include substantially more samples and a larger percentage of normal-risk patients.

Our inability to establish strong business relationships with leading clinical reference laboratories to perform Tr-DNA tests using our technologies will limit our revenue growth.

A key step in our strategy is to sell diagnostic products that use our proprietary technologies to leading clinical reference laboratories that will perform Tr-DNA tests. We currently have no business relationships with these laboratories and have limited experience in establishing these business relationships. If we are unable to establish these business relationships, we will have limited ability to obtain revenues beyond revenue we can generate from our limited in-house capacity to process tests.

Our failure to convince medical practitioners to order tests using our technologies will limit our revenue and profitability.

Our scientists were the first to discover Tr-DNA. Currently, there is no approved diagnostic test commercially available which can detect and analyze Tr-DNA. If we fail to convince medical practitioners to order tests using our technology, we will not be able to sell our products or license our technology in sufficient volume for us to become profitable. We will need to make leading physicians aware of the benefits of tests using our technology through published papers, presentations at scientific conferences and favorable results from our clinical studies. Our failure to be successful in these efforts would make it difficult for us to convince medical practitioners to order Tr-DNA tests for their patients.

If we lose key employees and consultants or are unable to attract or retain qualified personnel, our business could suffer

Our success is highly dependent on our ability to attract and retain qualified scientific and management personnel. We are highly dependent on our management and scientific staff, including Dr. V. Randy White, Dr. Samuil Umansky and Dr. Hovsep Melkonyan. Dr. White has been critical to the development of our business through his knowledge of the industry and his industry contacts. Drs. Umansky and Melkonyan have been critical to the development of our Tr-DNA technology. The loss of the services of any of Drs. White, Umansky and Melkonyan could have a material adverse effect on our operations. Although we have entered into employment arrangements or agreements with each of Drs. White, Umansky and Melkonyan, any of them may terminate his employment arrangement with us at any time on short notice. Accordingly, there can be no assurance that these employees will remain associated with us. The efforts of these persons will be critical to us as we continue to develop our business and technology and as we attempt to transition from a development stage company to a company with commercialized products and services. If we were to lose one or more of these key employees, we may experience difficulties in competing effectively, developing our technology and implementing our business strategies.

Our planned activities may require additional expertise in areas such as pre clinical testing, clinical trial management, regulatory affairs, manufacturing and marketing. Such activities may require the addition of new personnel and the development of additional expertise by existing management personnel. We face intense competition for such personnel from other companies, academic institutions, government entities and other organizations, and there can be no assurance that we will be successful in hiring or retaining qualified personnel. Our inability to develop additional expertise or to hire and retain such qualified personnel could have a material adverse effect on our operations.

If we are unable to manage our anticipated growth, we may not be able to develop our business.

Our ability to develop our business requires an effective planning and management process. We have 10 full-time and 3 part-time employees, as of October 24, 2005. We intend to hire additional senior management in the near term. In addition, during the second half of 2006, we intend to create a good manufacturing practice, or GMP, compliant manufacturing facility for which we will need to hire appropriate regulatory personnel. If we fail to identify, attract, retain and motivate highly skilled personnel, we may be unable to continue our development and commercialization activities.

We expect that our anticipated future growth will place a significant strain on our management, systems and resources. To manage the anticipated growth of our operations, we will need to increase management resources and implement new financial and management controls, reporting systems and procedures. If we are unable to manage our growth, we may be unable to execute our business strategy.

If we do not receive regulatory approvals, we will not be able to develop and commercialize the Tr-DNA technology.

We need FDA approval to market products based on the Tr-DNA technology for diagnostic uses in the United States and approvals from foreign regulatory authorities to market products based on the Tr-DNA technology outside the United States. We have not yet filed an application with the FDA to obtain approval to market any of our proposed products. If we fail to obtain regulatory approval for the marketing of products based on the Tr-DNA technology, we will be unable to sell such products and will not be able to sustain operations.

The regulatory review and approval process, which may include evaluation of preclinical studies and clinical trials of products based on the Tr-DNA technology, as well as the evaluation of manufacturing processes and contract manufacturers' facilities, is lengthy, expensive and uncertain. Securing regulatory approval for products based upon the Tr-DNA technology may require the submission of extensive preclinical and clinical data and supporting information to regulatory authorities to establish such products' safety and effectiveness for each indication. We have limited experience in filing and pursuing applications necessary to gain regulatory approvals.

Regulatory authorities generally have substantial discretion in the approval process and may either refuse to accept an application, or may decide after review of an application that the data submitted is insufficient to allow approval of any product based upon the Tr-DNA technology. If regulatory authorities do not accept or approve our applications, they may require that we conduct additional clinical, preclinical or manufacturing studies and submit that data before regulatory authorities will reconsider such application. We may need to expend substantial resources to conduct further studies to obtain data that regulatory authorities believe is sufficient. Depending on the extent of these studies, approval of applications may be delayed by several years, or may require us to expend more resources than we may have available. It is also possible that additional studies may not suffice to make applications approvable. If any of these outcomes occur, we may be forced to abandon our applications for approval, which might cause us to cease operations.

We may face significant competition from large biotechnology, medical diagnostic and other companies which could harm our business.

The medical diagnostic industry is intensely competitive and characterized by rapid technological progress. In each of our potential product areas, we face significant competition from large biotechnology, medical diagnostic and other companies. Most of these companies have substantially greater capital resources, research and development staffs, facilities and experience at conducting clinical trials and obtaining regulatory approvals. In addition, many of these companies have greater experience and expertise in developing and commercializing products.

Since the Tr-DNA technology is under development, we cannot predict the relative competitive position of any product based upon the Tr-DNA technology. However, we expect that the following factors will determine our ability to compete effectively: safety and efficacy; product price; turnaround time; ease of administration; performance; reimbursement; and marketing and sales capability.

Currently, the only definitive method for detecting prenatal Down syndrome is amniocentesis. It is a highly invasive procedure that involves inserting a long needle into the amniotic sac and removing a portion of amniotic fluid. Government statistics indicate that approximately 200,000 amniocentesis are performed annually in the United States. For women who refuse amniocentesis, or are younger than 35 years, physicians opt for tests called the “Triple Screen”, or “Quadruple Screen.” These tests do not provide a definitive diagnosis, only an estimate of the risk. Virtually all laboratories perform the Triple and Quad screens. When the risk calculated indicates that the patient may be carrying a Down affected fetus (generally 1:270), the patient is referred for amniocentesis to confirm the result.

The amniocentesis test is regarded as 100% accurate and is therefore the standard of care. We expect to initially offer the Tr-DNA test as a pre-screen for amniocentesis replacing the triple/quad screen.

We believe that many of our competitors spend significantly more on research and development-related activities than we do. Our competitors may discover new diagnostic tools or develop existing technologies to compete with the Tr-DNA technology. Our commercial opportunities will be reduced or eliminated if these competing products are more effective, are more convenient or are less expensive than our products.

Changes in healthcare policy could subject us to additional regulatory requirements that may delay the commercialization of our tests and increase our costs.

Healthcare policy has been a subject of discussion in the executive and legislative branches of the federal and many state governments. We have developed a staged commercialization strategy for our Tr-DNA tests based on existing healthcare policies. Changes in healthcare policy, if implemented, could substantially delay the use of our tests, increase costs, and divert management's attention. We cannot predict what changes, if any, will be proposed or adopted or the effect that such proposals or adoption may have on our business, financial condition and results of operations.

Reimbursement may not be available for products based upon the Tr-DNA technology, which could impact our ability to achieve profitability.

Market acceptance, sales of products based upon the Tr-DNA technology and our profitability may depend on reimbursement policies and health care reform measures. The levels at which government authorities and third-party payors, such as private health insurers and health maintenance organizations, may reimburse the price patients pay for such products could affect whether we are able to commercialize our products. We cannot be sure that reimbursement in the U.S. or elsewhere will be available for any of our products in the future. If reimbursement is not available or is limited, we may not be able to commercialize our products.

We will need to develop strategic partnerships to market and commercialize products based upon the Tr-DNA technology

We currently intend to develop strategic commercial partnerships to market any future diagnostic products through third parties and will need to enter into marketing arrangements with them. We may not be able to enter into marketing arrangements with third parties on favorable terms, or at all. In the event that we are unable to enter into marketing arrangements for products based upon the Tr-DNA technology, we may not be able to develop an effective sales force to successfully commercialize our products. If we fail to enter into marketing arrangements for our future products and are unable to develop an effective sales force, our revenues will be severely limited.

Other companies may develop and market methods for pre-natal testing, which may make our technologies less competitive, or even obsolete.

The market for pre-natal testing is large and has attracted competitors, some of which have significantly greater resources than we have. In the United States alone, there are approximately 6.2 million pregnancies a year.

Currently, we face competition from alternative procedure-based detection technologies such as triple-screen, quad-screen, ultrasound imaging, chorionic villus sampling and amniocentesis. We may be unable to compete effectively against these competitive technologies either because the test is superior or because they are more established, physicians have more experience with them or patients are better educated about them.

If we are unable to protect our intellectual property effectively, we may be unable to prevent third parties from using our technologies, which would impair our competitive advantage.

We rely on patent protection as well as a combination of trademark, copyright and trade secret protection, and other contractual restrictions to protect our proprietary technologies, all of which provide limited protection and may not adequately protect our rights or permit us to gain or keep any competitive advantage. If we fail to protect our intellectual property, we will be unable to prevent third parties from using our technologies and they will be able to compete more effectively against us.

We cannot assure you that any of our currently pending or future patent applications will result in issued patents, or that any patents issued to us will not be challenged, invalidated or held unenforceable. We cannot guarantee you that we will be successful in defending challenges made in connection with our patents and patent applications.

In addition to our patents, we rely on contractual restrictions to protect our proprietary technology. We require our employees and third parties to sign confidentiality agreements and employees to also sign agreements assigning to us all intellectual property arising from their work for us. Nevertheless, we cannot guarantee that these measures will be effective in protecting our intellectual property rights.

We cannot guarantee you that the patents issued to us will be broad enough to provide any meaningful protection nor can we assure you that one of our competitors may not develop more effective technologies, designs or methods without infringing our intellectual property rights or that one of our competitors might not design around our proprietary technologies.

If we are not able to protect our proprietary technology, trade secrets and know-how, our competitors may use our inventions to develop competing products. We own certain patents relating to the Tr-DNA technology. However, these patents may not protect us against our competitors, and patent litigation is very expensive. We may not have sufficient cash available to pursue any patent litigation to its conclusion because currently we do not generate revenues.

We cannot rely solely on our current patents to be successful. The standards that the U.S. Patent and Trademark Office and foreign patent offices use to grant patents, and the standards that U.S. and foreign courts use to interpret patents, are not the same and are not always applied predictably or uniformly and can change, particularly as new technologies develop. As such, the degree of patent protection obtained in the U.S. may differ substantially from that obtained in various foreign countries. In some instances, patents have issued in the U.S. while substantially less or no protection has been obtained in Europe or other countries.

We cannot be certain of the level of protection, if any, that will be provided by our patents if we attempt to enforce them and they are challenged in court where our competitors may raise defenses such as invalidity, unenforceability or possession of a valid license. In addition, the type and extent of any patent claims that may be issued to us in the future are uncertain. Any patents which are issued may not contain claims that will permit us to stop competitors from using similar technology.

We may incur substantial costs to protect and enforce our patents.

Third parties may challenge the validity of our patents and other intellectual property rights, resulting in costly litigation or other time-consuming and expensive proceedings, which could deprive us of valuable rights. If we become involved in any intellectual property litigation, interference or other judicial or administrative proceedings, we will incur substantial expenses and the diversion of financial resources and technical and management personnel. An adverse determination may subject us to significant liabilities or require us to seek licenses that may not be available from third parties on commercially favorable terms, if at all. Further, if such claims are proven valid, through litigation or otherwise, we may be required to pay substantial financial damages, which can be tripled if the infringement is deemed willful, or be required to discontinue or significantly delay development, marketing, selling and licensing of the affected products and intellectual property rights.

We may be subject to substantial costs and liability or be prevented from selling our diagnostic tests as a result of litigation or other proceedings relating to patent rights.

Third parties may assert infringement or other intellectual property claims against us. Because patent applications in the United States are maintained in secrecy until a patent issues, others may have filed patent applications for technology covered by our pending applications. There may be third-party patents, patent applications and other intellectual property relevant to our potential products that may block or compete with our products or processes. Even if third-party claims are without merit, defending a lawsuit may result in substantial expense to us and may divert the attention of management and key personnel. In addition, we cannot assure you that we would prevail in any of these suits or that the damages or other remedies if any, awarded against us would not be substantial. Claims of intellectual property infringement may require us to enter into royalty or license agreements with third parties that may not be available on acceptable terms, if at all. We may also become subject to injunctions against the further development and use of our technology, which would have a material adverse effect on our business, financial condition and results of operations.

Also, patents and applications owned by us may become the subject of interference proceedings in the United States Patent and Trademark Office to determine priority of invention, which could result in substantial cost to us, as well as a possible adverse decision as to the priority of invention of the patent or patent application involved. An adverse decision in an interference proceeding may result in the loss or rights under a patent or patent application subject to such a proceeding.

The following risks relate principally to our common stock and its market value

Trading on the OTC Bulletin Board may be volatile and sporadic, which could depress the market price of our common stock and make it difficult for our stockholders to resell their shares.

Trading in stock quoted on the OTC Bulletin Board is often thin and characterized by wide fluctuations in trading prices, due to many factors that may have little to do with a company's operations or business prospects. This volatility could depress the market price of our common stock for reasons unrelated to our business or operating performance. Moreover, the OTC Bulletin Board is not a stock exchange, and trading of securities on the OTC Bulletin Board is often more sporadic than the trading of securities listed on a quotation system like NASDAQ or a stock exchange like the American Stock Exchange. Accordingly, shareholders may have difficulty reselling any of their shares of common stock.

Our Common Stock price may be volatile and could fluctuate widely in price, which could result in substantial losses for investors..

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:

- technological innovations or new products and services by us or our competitors;
- clinical trial results relating to our tests or those of our competitors;
- reimbursement decisions by Medicare and other managed care organizations;
- FDA regulation of our products and services;
- the establishment of partnerships with clinical reference laboratories;
- health care legislation;
- intellectual property disputes;
- additions or departures of key personnel;
- sales of our common stock
- our ability to integrate operations, technology, products and services;
- our ability to execute our business plan;
- operating results below expectations;
- loss of any strategic relationship;
- industry developments;
- economic and other external factors; and
- period-to-period fluctuations in our financial results.

Because we are a development stage company with no revenues to date, you should consider any one of these factors to be material. Our stock price may fluctuate widely as a result of any of the above.

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 cash dividends in the past and do not expect to pay cash dividends in the future on our common stock. 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 paying cash dividends in the foreseeable future. The payment of cash dividends on our common stock will depend on earnings, financial condition, whether or not we have paid dividends on our Series A Convertible Preferred Stock and other business and economic factors affecting it at such time as the board of directors may consider relevant. If we do not pay cash dividends, our common stock may be less valuable because a return on your investment will only occur if its stock price appreciates.

Our Series A Convertible Preferred Stock financing may result in dilution to our common stockholders.

Dilution of the per share value of our common shares could result from the conversion of most or all of the Series A Convertible Preferred Stock we issued to certain of the selling stockholders. There are currently outstanding 277,100 shares of our Series A Convertible Preferred Stock, which may be initially converted into a total of 1,288,837 shares of common stock at the initial

conversion rate of $2.15. The conversion rate of the Series A Convertible Preferred Stock, however, is subject to adjustment based on a number of factors, including selling securities at a price less than the conversion price of the Series A Convertible Preferred Stock. Holders of our common stock will experience dilution from the conversion of the Series A Preferred Stock. In the event the conversion price is lower than the actual trading price on the day of conversion, the holder could immediately sell all of its converted common shares, which would have a dilutive effect on the value of the outstanding common shares. Furthermore, the significant downward pressure on the trading price of our common stock as Series A Convertible Preferred Stock holders convert these securities and sell the common shares received on conversion could encourage short sales by the holders of Series A Convertible Preferred Stock or other shareholders. This would place further downward pressure on the trading price of our common stock. Even the mere perception of eventual sales of common shares issued on the conversion of the Series A Convertible Preferred Stock could lead to a decline in the trading price of our common stock.

Penny stock regulations may impose certain restrictions on marketability of our stock.

Our common stock is currently listed for trading on the OTC Bulletin Board which is generally considered to be a less efficient market than markets such as NASDAQ or other national exchanges, and which may cause difficulty in conducting trades and difficulty in obtaining future financing. Further, our securities are subject to the "penny stock rules" adopted pursuant to Section 15 (g) of the Securities Exchange Act of 1934, as amended, or Exchange Act. The penny stock rules apply to non-NASDAQ companies whose common stock trades at less than $5.00 per share or which have tangible net worth of less than $5,000,000 ($2,000,000 if the company has been operating for three or more years). Such 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 stock" 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 such securities is limited. In the event that we remain subject to the "penny stock rules" for any significant period, there may develop an adverse impact on the market, if any, for our securities. Because our securities are subject to the "penny stock rules," investors will find it more difficult to dispose of our securities. Further, for companies whose securities are traded in the OTC Bulletin Board, it is more difficult: (i) to obtain accurate quotations, (ii) to obtain coverage for significant news events because major wire services, such as the Dow Jones News Service, generally do not publish press releases about such companies, and (iii) to obtain needed capital.

Our Board of Directors may issue and fix the terms of shares of our preferred stock without stockholder approval, which could adversely affect the voting power of holders of our common stock or any change in control of our company.

Our certificate of incorporation authorizes the issuance of up to 20,000,000 shares of "blank check" preferred stock, with such designation rights and preferences as may be determined from time to time by the Board of Directors. We issued 277,100 shares of Series A Convertible Preferred Stock to certain selling stockholders listed herein in a private sale which we consummated on July 13, 2005, which shares have rights and preferences senior to our common stock. These rights and preferences are described in detail in this prospectus under the caption "Description of Securities — Series A Convertible Preferred Stock." Subject to the rights of the holders of the Series A Convertible Preferred Stock, our Board of Directors is empowered, without shareholder approval, to issue additional shares of preferred stock with dividend, liquidation, conversion, voting or other rights which could adversely affect the voting power or other rights of the holders of our common stock. In the event of such issuances, the preferred stock could be utilized, under certain circumstances, as a method of discouraging, delaying or preventing a change in control of our company.

A sale of a substantial number of shares of our common stock may cause the price of our common stock to decline.

The market price of our common stock could decline as a result of sales of substantial amounts of our common stock in the public market, or the perception that these sales could occur. In addition, these factors could make it more difficult for us to raise funds through future offerings of common stock. All of the shares of our common stock covered by this prospectus will be freely transferable without restriction or further registration under the Securities Act.

We are registering 8,961,719 shares of our common stock, par value $0.0001 per share, for resale by the selling stockholders identified in this prospectus. On July 13, 2005, we completed a private placement of our securities, including 277,100 shares of our Series A Convertible Preferred Stock and warrants to purchase 386,651 shares of our common stock. 1,288,837 of the shares of common stock covered by this prospectus are issuable from time to time upon conversion of the 277,100 shares of Series A Convertible Preferred Stock at a conversion rate of $2.15 per share of common stock. 103,107 of the shares of common stock covered by this prospectus are issuable as in kind dividends with respect to the 277,100 shares of Series A Convertible Preferred Stock. 386,651 of the shares of common stock covered by this prospectus are issuable from time to time upon exercise of the warrants to purchase shares of common stock at $3.25 per share, which are exercisable until July 13, 2010.

Of the remaining 7,183,124 shares of common stock covered by this prospectus, 2,450,495 shares of common stock were issued in a private placement we completed in July 2004 and 2,986,102 shares of common stock were issued in a private placement we

completed in two closings, January 2005 and April 2005. The investors in the January 2005 and April 2005 private placement were also issued an aggregate 746,527 warrants to purchase shares of common stock at $2.95 per share, with 367,681 warrants exercisable until January 28, 2010 and 378,846 warrants exercisable until April 7, 2010. The remaining 1,000,000 warrants were issued pursuant to an investor relations agreement with Trilogy Capital Partners, Inc. and its designees to purchase shares of common stock at $2.95 per share and exercisable until January 10, 2008.

FORWARD-LOOKING STATEMENTS

We and our representatives may from time to time make written or oral statements that are "forward-looking," including statements contained in this prospectus and other filings with the Securities and Exchange Commission, reports to our stockholders and news releases. All statements that express expectations, estimates, forecasts or projections are forward-looking statements. In addition, other written or oral statements which constitute forward-looking statements may be made by us or on our behalf. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "projects," "forecasts," "may," "should," variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in or suggested by such forward-looking statements. We undertake no obligation to update or revise any of the forward-looking statements after the date of this prospectus to conform forward-looking statements to actual results. Among the important factors on which such statements are based are assumptions concerning uncertainties associated with product development, the risk that we will not obtain approval to market our products, the risk that our technology will not gain market acceptance, our ability to obtain additional financing, our ability to attract and retain key employees, our ability to protect intellectual property, and our ability to adapt to economic, political and regulatory conditions affecting the healthcare industry.

USE OF PROCEEDS

We will not receive any proceeds from the sale of the common stock. However, we will receive the exercise price of any common stock we sell to the selling stockholders upon exercise of the warrants. We expect to use the proceeds received from the exercise of their warrants, if any, for general working capital purposes.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION OR PLAN OF OPERATION

The following discussion should be read in conjunction with our consolidated financial statements and notes to those statements included elsewhere in this prospectus. In addition to historical information, the following discussion and other parts of this prospectus contain forward-looking information that involves risks and uncertainties.

Overview

We are a development stage molecular diagnostic company that focuses on the development of DNA-based tests using Tr-DNA. Tr-DNAs are fragments of DNA derived from dying cells inside the body compartment. The intact DNA is fragmented in these dying cells, appears in the blood stream and these fragments have been shown to cross the kidney barrier and can be detected in urine. Because Tr-DNA originates inside the body, using a safe and simple urine collection, we believe our patented technology can be applied to a broad range of testing including: prenatal testing, tumor detection and monitoring, tissue transplantation, infectious disease, forensic identification, drug development and bio-terrorism. In March 2004, we organized a joint venture with the Spallanzani National Institute for Infectious Diseases (Instituto Nazionale per le Malattie Infettive) in Rome, Italy, in the form of a new R&D company called SpaXen Italia, S.R.L, or SpaXen, which will conduct research and development on non-invasive diagnostic tests for infectious disease using Tr-DNA methodology.

History

We were incorporated in the State of Florida on April 26, 2002 as Used Kar Parts, Inc. On July 2, 2004, we acquired Xenomics, an unaffiliated California corporation (“Xenomics Sub”) by issuing 2,258,001 shares of our common stock to Xenomics Subs’ five shareholders in exchange for all outstanding shares of Xenomics Sub stock (the "Exchange"). Xenomics Sub was formed on August 4, 1999. For accounting purposes, the acquisition has been treated as an acquisition of Used Kar Parts, Inc. by Xenomics Sub and as such a recapitalization of Xenomics Sub. Accordingly, the historical financial statements from inception on August 4, 1999 to July 2, 2004 are those of Xenomics Sub

The Exchange was made according to the terms of a Securities Exchange Agreement dated May 18, 2004. As part of the Exchange, we:

- amended our articles of incorporation to change our corporate name to "Xenomics, Inc." and to split our stock outstanding prior to the redemption 111 for 1 (effective July 26, 2004).
- redeemed 1,971,734 pre-split shares (the equivalent of 218,862,474 post-split shares) from Panetta Partners Ltd., a principal shareholder at the time, for $500,000 or $0.0023 per share.
- entered into employment agreements with two of the former Xenomics Sub shareholders and a consulting agreement with one of the former Xenomics Sub shareholders.

- entered into a Voting Agreement with certain investors, the former Xenomics Sub shareholders and certain principal shareholders.
- entered into a Technology Acquisition Agreement with the former Xenomics Sub shareholders under which we granted an option to the former Xenomics Sub holders to acquire Xenomics Sub technology if we fail to apply at least 50% of the net proceeds of financing we raise to the development of Xenomics Sub technology during the period ending July 1, 2006 in exchange for all of our shares and share equivalents held by the former Xenomics Sub holders at the time such option is exercised.

On June 24, 2004, we entered into a voting agreement with L. David Tomei, Co-Chairman, Samuil Umansky, President, Hovsep Melkonyan, Vice President, Research, Anatoly Lichtenstein and Kathryn Wilkie (collectively, the "Xenomics Shareholders"), Panetta Partners Ltd., an affiliate of Gabriele M. Cerrone, our Co-Chairman, Hawkeye Incubator Ltd., Etruscan Mobilia Investments, Ltd. and Lazio Bioventure Ltd. (collectively, the "Original Shareholders") and Christoph Bruening, a director, Fimi, SPA, Blenton Management, Roffredo Gaetani, Nicola Granato, R. Merrill Hunter, Mike Wilkins and Fossil Ventures LLC (collectively, the "Investors") pursuant to which so long as the Xenomics Shareholders own an aggregate 752,667 shares of common stock of our company, such Xenomics Shareholders shall have the right to (i) designate 1/3 of the members of the Board of Directors if the number of directors on the Board is more than 7, (ii) designate 2 directors if the number of directors on the Board is between 5 and 7 or (iii) designate 1 director if the number of directors on the Board is less than 5. The voting agreement will terminate upon the earlier of (a) the adjudication by a court of competent jurisdiction that our company is bankrupt or insolvent, (b) the filing of a certificate of dissolution by us, (c) upon the written consent of us and a majority of the Xenomics Shareholders, (d) upon the listing of our shares of common stock on Nasdaq or a national securities exchange, or (e) on June 15, 2007.

We are a party to a technology acquisition agreement dated June 24, 2004 with L. David Tomei, Co-Chairman, Samuil Umansky, President, Hovsep Melkonyan, Vice President, Research, Anatoly Lichtenstein and Kathryn Wilkie (collectively, the "Shareholders") and Xenomics Sub pursuant to which the Shareholders have the option for a period of 90 days after the delivery of an accounting from us (due by August 1, 2006) to acquire the Tr-DNA technology from us in the event we expended less than 50% of the aggregate net proceeds received by us from our aggregate equity or debt financings during the two year period ending on July 2, 2006, on development of the Tr-DNA technology. Upon delivery of the exercise notice by the Shareholders, we will have 90 days in which to remedy the inadequacies in the exercise notice. In consideration for the acquisition of the Tr-DNA technology each Shareholder would transfer to us all of the shares of our common stock owned by such Shareholder as well as the market value of the shares of common stock received in the Exchange but subsequently sold by such Shareholder. In addition, all stock options and other rights to purchase common stock owned by such Shareholder would be canceled. As of July 31 2005, we have raised $9,643,738 net of finders fees and expenses, substantially all of which has been used on development of the Tr-DNA technology. We currently do not have any plans to raise additional capital prior to July 2, 2006 but in the event additional capital is raised, we anticipate that substantially all of it will be used to develop the Tr-DNA technology.

Since inception on August 4, 1999 through July 31, 2005, we have sustained cumulative net losses of $5,585,674. Our losses have resulted primarily from research and development expenses, patent costs and legal and accounting expenses. From inception through July 31, 2005, we have not generated any revenue from operations. We expect to incur additional losses to perform further research and development activities. We do not currently have any commercial products and we do not expect to have any for the foreseeable future. Our product development efforts are in their early stages and we cannot make estimates of the costs or the time it will take to complete. The risk of completion of any program is high because of the long duration of clinical testing, regulatory approval and review cycles and uncertainty of the costs. Net cash inflows from any products developed may take several years to achieve.

Results of Operations

Six Months Ended July 31, 2005 and 2004

We had no revenues during the six months ended July 31, 2005 and 2004 because we do not have any commercial products and we do not expect to have any for the foreseeable future.

Operating expenses increased to $2,571,887 during the six months ended July 31, 2005 from $172,910 for the same period in 2004. This increase occurred as a result of increased business activities which began subsequent to July 2, 2004, the date our business combination and first private placement was completed.

Research and development expenses increased to $562,807 during the six months ended July 31, 2005, up from $168,173 during the six months ended July 31, 2004. These expenditures include salaries and staff costs for our in-house research and development laboratory in New Jersey, patent legal, filing and maintenance expenses, regulatory and scientific consulting fees and laboratory supplies. Our research and development expenses increased because we were operating for the full six months in the six months ended July 31, 2005 whereas we only had limited operations during the six months ended July 31, 2004.

General and administrative expenses increased to $1,555,786 during the six months ended July 31, 2005 as compared to $2,004 during the six months ended July 31, 2004. This increase was principally due to increased investor relation expenditures of approximately $370,000; higher compensation cost associated with the hiring of our Chief Executive Officer, Controller and other office staff of approximately $292,000; consulting fees associated with retaining the services of our Co-Chairmen, Messrs. Cerrone and Tomei totaling approximately $205,000; plus legal and public accounting fees in connection with our fund raising activities of approximately $166,000; and facilities expense totaling approximately $203,000.

Stock-based compensation expense for the six months ended July 31, 2005 and 2004 was $453,294 and $2,733 respectively. During the six months ended July 31, 2005 approximately $431,000 of such expense is attributable to options and warrants granted to certain independent consultants for services rendered and was measured using the fair value (Black-Scholes) methodology. Had we used the fair value method for employee and director options our stock based compensation expense would have been approximately $127,000 higher in the six months ended July 31, 2005, whereas this alternative methodology would have had minimal impact in the six months ended July 31, 2004.

Interest and investment income for the six months ended July 31, 2005 was $45,810, whereas no interest income was earned in the six months ended July 31, 2004. Interest and investment income increased as a result of our higher cash and marketable investment balances reflecting our recent private placements discussed in the "Liquidity and Capital Resources" section below.

Net loss for the six months ended July 31, 2005 was ($2,526,077) as compared to a loss of ($172,910) for the same period in 2004. The increase in the net loss in 2005 is the result of higher operating expenses, slightly offset by higher interest and investment income as described above.

Years Ended January 31, 2005 and 2004.

We had no revenues during the years ended January 31, 2005 and 2004 because we do not have any commercial products and we do not expect to have any for the foreseeable future.

Operating expenses increased to $1,394,393 during the year ended January 31, 2005 from $397,047 for the same period in 2004. This increase reflects heightened business activity since the recapitalization discussed elsewhere in this report. During the year ended January 31, 2005 research and development expenses increased to $619,635 as compared to $383,564 during the year ended January 31, 2004, reflecting higher salaries and wages, patent prosecution fees and legal expenses, consultants and scientific advisors.

General and administrative expenses increased to $651,695 during the year ended January 31, 2005, as compared to $13,483 during the year ended January 31, 2004, primarily reflecting higher rent expenses for our newly opened New York office and laboratory space in New Jersey, corporate legal and accounting, insurance and higher salaries and wages associated with hiring a CEO in September 2004..

Included in operating expenses during the year ended January 31, 2005 was non-cash stock-based compensation expense of $123,063, principally associated with warrants issued to an investor relations consultant, whereas we had no such expense during the year ended January 31, 2004

Net loss for the year ended January 31, 2005 was $1,388,384 compared to a loss of $383,021 for the same period in 2004. The increase in the net loss in 2005 is the result of higher operating expenses, as described above.

Plan of Operations

We plan to devote significant financial and other resources to further research and development, and commercialize tests using our Tr-DNA technology. Our initial focus is on two key applications: prenatal genetic testing and infectious disease detection. If developed, we intend to sell these products to independent clinical laboratories and hospital laboratories approved for performance of high-complexity tests. We have completed our proof of principle studies in these two key areas and must now validate these findings in human clinical samples. It is expected that the next phase of product development will last throughout 2006. The next phase requires that we gain access to clinical samples pertinent to each product focus. We have executed research contracts with North Shore - Long Island Jewish (LIJ) Health System in Lake Success, New York and Eastern Virginia Medical School in Norfolk, Virginia. The research contract with North Shore - Long Island Jewish (LIJ) Health System is subject to IRB approval. Because these studies are overseen by the respective IRB’s of the institutions, they can be terminated for safety and efficacy issues. If we do not gain access to human clinical samples, or do not complete the studies, this will prevent us from developing FDA approved products and will severely limit our ability to generate revenue through product sales.

We intend to develop our infectious disease applications at SpaXen, our joint venture with INMI located in Rome Italy. Under the terms of our agreement with INMI, INMI provides laboratory space to SpaXen and financial support in the form of chemicals and scientific personnel to work on applications of the Tr-DNA technology for a broad variety of infectious diseases. The Spallanzani Institute is a large AIDS treatment center and provides patient care to 4,000 infected patients. The SpaXen joint venture provides access to needed human clinical samples for development of our HIV and TB products. If our agreement with INMI is terminated, we may not be able to gain access to needed human clinical samples which will prevent us from developing FDA approved products and will severely limit our ability to generate revenue through product sales.

Our plan of operation is to continue our product development in the two focus areas of prenatal genetic testing and infectious disease detection with a goal toward eventually bringing FDA approved products to market. Because cancer detection and monitoring studies are long and expensive, we are actively seeking academic-based researchers who are funded to perform evaluations of new cutting-edge technologies. In this way we expect to progress our understanding of cancer detection and monitoring with little or no cost to us. Because organ transplant monitoring is not truly “diagnostic,” in the next fiscal year we will begin to explore licensing arrangements with drug companies who manufacture the immune-suppression drugs used to prevent organ rejection. If we can conclude a license agreement, this may provide an early source of revenue for us. However, there can be no assurance that appropriate strategic partnership or licensing arrangements will be completed in either of these areas.

We expect it will take 2 to 3 years for our first product to be commercialized. We currently employ 8 research and development scientists at an annual expense of approximately $750,000. During the first half of 2006 as we transition into product development and human clinical studies we expect to hire approximately 22 full-time employees representing an in-year 2006 expense of approximately $591,000. These positions include the Vice President of Product Development and 16 additional technical positions and the Vice President of Regulatory Affairs and four additional regulatory personnel. During the second half of 2006 we expect to continue to increase both our product development and regulatory personnel with 18 additional positions representing an in-year 2006 expense of approximately $369,000. The full-year 2007 expense associated with the existing research and development personnel and additional personnel added during 2006 is expected to total approximately $2,440,000

During 2006, we expect to characterize molecular markers for two prenatal diagnostic tests; sex determination and Down syndrome; to optimize the method for detecting these markers; and demonstrate the measurement of these markers in the urine of pregnant women enrolled in the study programs at our two clinical strategic partners. In addition, we expect to convert the existing research method for detecting pro-viral HIV DNA and tuberculosis in the urine of AIDS patients developed as part of our joint venture with INMI into practical methods that can be commercialized. During the second half of 2006, we expect to finalize the methods for sex determination, Down syndrome, pro-viral HIV DNA and tuberculosis and to begin performing clinical studies on relevant clinical samples collected under the FDA’s Quality System Regulations.

Our current research facility does not satisfy the good manufacturing practice (cGMP) guidelines required for a commercial diagnostics manufacturing facility and we are currently evaluating the cost of making the required changes to our existing facility versus the costs of moving to a new facility that meets the cGMP guidelines.

During the second half of 2006, with the addition of appropriate regulatory personnel discussed above, we intend to operate under cGMP guidelines and adopt the FDA Quality System Regulations (QSR) system of documentation. Costs associated with adoption of QSR are principally the additional personnel discussed above. In most cases, we expect to purchase bulk quantities of specified raw materials and reagents from qualified vendors. In some cases, we may synthesize certain materials and reagents. We expect our manufacturing facility to use bulk materials to assemble reagent sets, perform quality control testing and package the reagent sets for shipping and distribution. Because we do not have manufacturing experience, we may not be able to develop reproducible and effective manufacturing processes at a reasonable cost. In such event, we will have to rely on third party manufacturers whose availability and cost is presently unclear.

We entered into a lease for corporate office space in New York City comprising approximately 2,000 square feet, for seven years ending September 30, 2011. In addition, we have a lease for a laboratory facility of approximately 3,700 sq. ft. in Monmouth Junction, New Jersey, for two years ending August 31, 2006. As discussed above the current facility does not meet cGMP and we are currently assessing the costs to make the required modifications to the existing facility, or move to a new facility that satisfies cGMP. We believe that these facilities, together with laboratory facilities provided to SpaXen by INMI, will be adequate for our anticipated level of activity during 2006.

Liquidity and Capital Resources

As of July 31, 2005 we had $6,261,544 in cash, cash equivalents and marketable investments, compared to $3,226,965 as of January 31, 2005. This increase of approximately $3,000,000 is the result of a net fund raising of approximately $5,100,000 less approximately $2,100,000 used for operating activities during the six months ended July 31, 2005.

On January 28, 2005, we closed the first traunche of a private placement selling 1,368,154 shares of common stock and 367,681 warrants to certain investors (the "Investors"). The securities were sold as a unit (the "Units") at a price of $1.95 per Unit for aggregate proceeds of $2,667,900. Each Unit consisted of one share of common stock and a warrant to purchase one quarter share of common stock. The warrants are immediately exercisable at $2.95 per share and are exercisable at any time within five years from the date of issuance. We issued an aggregate 123,659 warrants to purchase common stock to various selling agents, which are immediately exercisable at $2.15 per share and will expire five years after issuance.

On February 5, 2005 we completed the first traunche of the private placement described above selling an additional 102,564 shares of its common stock to the Investors at a price of $1.95 per share for aggregate proceeds of $200,000. In addition, we paid an aggregate $179,600 in cash and issued 24,461 shares of common stock to certain selling agents, in lieu of cash on the entire first tranche of the private placement..

On April 7, 2005, we closed the second and final traunche of the private placement selling 1,515,384 shares of common stock and 378,846 warrants to certain additional Investors for aggregate proceeds of $2,954,999. We paid an aggregate $298,000 in fees and issued an aggregate 121,231 warrants to purchase common stock to selling agents. The warrants are immediately exercisable at $2.15 per share and will expire five years after issuance. These April 7, 2005 Investors became parties to the same Registration Rights Agreement as the January 28, 2005 Investors.

On July 13, 2005, we closed a private placement of 277,100 shares of Series A Convertible Preferred Stock (the “Series A Preferred Stock”) and 386,651 warrants to certain investors for aggregate gross proceeds of $2,771,000 pursuant to a Securities Purchase Agreement dated as of July 13, 2005. The warrants are immediately exercisable at $3.25 per share and are exercisable at any time within five years from the date of issuance. We paid an aggregate $277,101 and issued an aggregate 105,432 warrants to purchase common stock to certain selling agents. The warrants issued to selling agents are immediately exercisable at $2.50 per share and will expire five years after issuance

Our working capital requirements will depend upon numerous factors including but not limited to the nature, cost and timing of: product development; pre-clinical and clinical testing; obtaining regulatory approvals; technological advances and our ability to establish collaborative arrangements with research organizations and individuals needed to commercialize our products. Our capital resources will be focused primarily on the clinical development and regulatory approval of our Tr-DNA technology. We expect that our existing capital resources will be sufficient to fund our operations for at least the next 12 months. We will be required to raise additional capital to complete the development and commercialization of our current product candidates.

To date, our sources of cash have been primarily limited to the sale of our equity securities. We cannot be certain that additional funding will be available on acceptable terms, or at all. Any debt financing, if available, may involve restrictive covenants that impact our ability to conduct our business. If we are unable to raise additional capital when required or on acceptable terms, we may have to significantly delay, scale back or discontinue the development and/or commercialization of one or more of our product candidates.

Off-balance Sheet Arrangements

We had no off-balance sheet arrangements as of July 31, 2005.

Contractual Obligations and Commitments

The following is a summary of our significant contractual cash obligations for the periods indicated that existed as of January 31, 2005, and is based on information appearing in the notes to consolidated financial statements included elsewhere in this prospectus.

	Total	Less than 1 Year	1-2 Years	3-5 Years	More than 5 Years
Operating Leases	$ 649,303	$ 160,878	$ 200,383	$ 234,249	$ 53,793
Employment and Consulting Agreements	1,728,375	700,000	700,000	328,375	—
Total obligations	$ 2,377,678	$ 860,878	$ 900,383	$ 562,624	$ 53,793

We are a party to a registration rights agreement dated January 28, 2005 with certain of the selling stockholders pursuant to which we are filing this registration statement. The registration rights agreement includes a provision that we were obligated to file this registration statement by May 28, 2005 without incurring financial penalties. Since we first filed this registration statement on August 1, 2005, we incurred and paid financial penalties to certain of the selling stockholders in the amount of $16,304. Additionally, we are obligated under the January 28, 2005 registration statement as well as the registration statement dated July 13, 2005 to use our commercially reasonable efforts to have this registration statement declared effective by the SEC by October 25, 2005 without incurring financial penalties. The registration statement was not declared effective by the SEC by October 25, 2005, therefore for every 30-day period it is not declared effective we will owe an aggregate $34,989 to certain of the selling stockholders.

Critical Accounting Policies

Financial Reporting Release No. 60 requires all companies to include a discussion of critical accounting policies or methods used in the preparation of financial statements. Our accounting policies are described in Note 3 of the notes to our consolidated financial statements included in this prospectus. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates

Accounting for Business Combinations - We have applied the Financial Accounting Standards Board Statement of Financial Accounting Standard ("SFAS") No. 141 “Business Combinations” to the Exchange concluded on July 2, 2004. SFAS No. 141 addresses financial accounting and reporting for business combinations and supersedes APB Opinion No. 16, “Business Combinations” in its entirety. All business combinations in the scope of this Statement are now to be accounted for using only one method, the purchase method. The accompanying consolidated financial statements of our company which include the results of Xenomics, Inc. a Florida corporation and its wholly owned subsidiary Xenomics Sub have been prepared in accordance with SFAS No. 141 and we have determined that the acquiring entity was Xenomics Sub. For accounting purposes, the acquisition has been treated as an acquisition of Xenomics Inc. (formerly Used Kar Parts, Inc.) by Xenomics Sub and as a recapitalization of Xenomics Sub. Accordingly, the historical financial statements prior to July 2, 2004 are those of Xenomics Sub

Accounting for stock based compensation: We have adopted Statement of Financial Accounting Standard No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). As provided for by SFAS 123, we have also elected to account for our stock-based compensation programs according to the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25")." Accordingly, compensation expense has been recognized based on the intrinsic value of stock issued or options granted to employees and directors for services rendered. Other stock based compensation associated with grants to non-employees, as well as Directors who perform services outside of their Board duties, is measured using the fair value method. We rely on incentive compensation in the form of stock options to recruit, retain and motivate directors, executive officers, employees and consultants. Incentive compensation in the form of stock options is designed to provide long-term incentives, develop and maintain an ownership stake and conserve cash during our development stage. Since inception through January 31, 2005 stock based compensation expense totaled $123,063 and our deferred unamortized stock-based compensation as January 31, 2005 was $772,387.

In December 2002, the Financial Accounting Standards Board issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure, an amendment of FASB Statement No. 123," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of SFAS No. 123 and accordingly we have made prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results.

Accounting for research and development: We do not currently have any commercial molecular diagnostic products, and do not expect to have such for several years, if at all. In accordance with SFAS No. 2, “Accounting for Research and Development Costs” (“SFAS 2”) all research and development costs are expensed as incurred. These include expenditures in connection with an in-house research and development laboratory, salaries and staff costs, application and filing for regulatory approval of our proposed products, patent legal, filing and maintenance expenses, regulatory and scientific consulting fees to outside suppliers.

DESCRIPTION OF BUSINESS

We are a development stage molecular diagnostic company that focuses on the development of DNA-based tests using transrenal DNA or Tr-DNA. Tr-DNAs are fragments of DNA derived from dying cells inside the body compartment. The intact DNA is fragmented in these dying cells, appears in the blood stream and these fragments have been shown to cross the kidney barrier and can be detected in urine. Our patented technology uses safe and simple urine collection and can be applied to a broad range of testing including: prenatal genetic testing, tumor detection and monitoring, tissue transplantation, infectious disease, forensic identification, drug development and bio-terrorism. In March 2004, we organized a joint venture with the Spallanzani National Institute for Infectious Diseases (Instituto Nazionale per le Malattie Infettive) in Rome, Italy, in the form of a new R&D company called SpaXen Italia, S.R.L, or SpaXen, which will conduct research and development on non-invasive diagnostic tests for infectious disease using Tr-DNA methodology.

The Technology

Our scientists were the first to report the discovery that a portion of cell-free DNA found in the bloodstream can cross the kidney barrier and be detected in the urine. This is transrenal DNA or Tr-DNA. Urine analysis of Tr-DNA provides a simple, non-invasive method and a platform technology for a broad range of diagnostic genetic tests. In comparison with conventional tests, this methodology has significant advantages with respect to patient compliance, ease of testing, speed and cost. We own proprietary technology protected by broad patents covering the fields of prenatal genetic diagnosis, cancer detection and transplantation. We expect pending patent applications to further extend coverage to all diagnostic applications of Tr-DNA.

Our Tr-DNA technology has been evaluated for applications in cancer in various clinical studies and we have executed research contracts with North Shore - Long Island Jewish (LIJ) Health System and Eastern Virginia Medical School to begin human clinical studies for applications in prenatal genetic diagnosis. The research contract with North Shore - Long Island Jewish (LIJ) Health System is subject to Institutional Review Board, or IRB, approval. Our initial operations will focus on early product opportunities in prenatal genetic diagnosis for disorders such as Down syndrome, Fragile X Syndrome, Rh incompatibility and gender determination. We plan to expand the prenatal testing capabilities to include a comprehensive set of markers, and plan to develop our technology for diagnostic applications in cancer, infectious diseases and transplantation.

We plan to develop commercial diagnostic tests for which we will seek FDA approval. Prior to FDA approval we expect these tests will be sold under the Analyte Specific Reagent (ASR) rules for home-brew testing to laboratories licensed under the Clinical Laboratory Improvement Act (CLIA) for performance of high-complexity testing. FDA approval will allow us to sell to all hospital and independent testing laboratories. Of prime importance to our positioning in the market will be the need for adoption by key diagnostics laboratories and certain diagnostic companies that will need access to our patents in order to enter the market for urine DNA testing.

The Market

We believe that the market for Tr-DNA based diagnostic products is large and growing. Based on various industry reports and the annual reports for several large diagnostic companies, the market for DNA testing is over $2 billion in the United States alone. As this represents the initial stage of growth in the use of genetic testing it is anticipated that there will be significant market expansion as new markers are discovered and validated for the diagnosis of specific indications. The ease, non-invasive nature, and low cost of urine analysis of nucleic acids suggest that our technology may ultimately become the method of choice for the majority of genetic tests.

Prenatal Testing According to government statistics for 2004 there were 6.2 million pregnancies in the United States alone. Those reports also show a current trend in the United States that women are delaying having children until a later age. However, the risk of many genetic disorders increases with maternal age. An example is Down syndrome where the risk is 1 in 1,400 for women 25 years of age and 1 in 380 for women 35 years of age. Today, the only prenatal test that can provide a definitive diagnosis of Down syndrome is amniocentesis. Because amniocentesis has well known risks associated with the procedure, including an approximate 1% risk of spontaneous miscarriage, only about 10-15% of patients who should have prenatal genetic tests according to physicians and genetic counselors actually agree to undergo the amniocentesis procedure. The risk of spontaneous miscarriage limits the recommended use of amniocentesis to women older than 35 years of age. Currently there are no tests available that provides a definitive result for women who decline amniocentesis, or are younger than 35 years of age. Tests such as the “triple” screen or “quad” screen are available, but these tests provide an assessment of risk, not a definitive result. In addition, the best sensitivity reported in the scientific literature for these is a 75% detection rate. If we succeed in developing a prenatal screening test for Down syndrome with improved sensitivity compared to “triple” and “quad” screen, we expect that patient compliance for recommended prenatal genetic testing will increase significantly considering that donation of a urine specimen is simple, risk-free to both the mother and the baby, and may be able to be performed in the first trimester of pregnancy.

Initial product focus in prenatal testing will be on diagnostic tests for Down syndrome, Fragile X Syndrome, Rett syndrome, Rh incompatibility and gender determination. The future pipeline in prenatal genetic testing may include tests for trisomy 18 and 13, Tay Sachs and Askenazi Jewish syndrome, Huntington’s disease, sickle cell anemia and other genetic disorders.

Cancer Testing It is anticipated that Tr-DNA analysis will become a platform technology for development of tests for the monitoring of tumor and pre-cancerous progression and post-treatment screening for tumor re-growth conditions. The initial opportunities for diagnostic test development are gastrointestinal tumors, including colorectal cancer, liver cancer and pancreatic cancer. Our technology was evaluated in a clinical study at Thomas Jefferson University and showed the ability to detect pre-cancerous colon polyps in patients undergoing colonoscopy. About 160,000 new cases of colon cancer and 25,000 new cases of pancreatic cancer occur in the United States each year. Routine testing is recommended for the 60-70 million of people over 50 at risk for colorectal polyps. Additional products in the oncology diagnostics pipeline are tests for the early detection of prostate cancer and other tumors as well as high-risk pre-cancerous conditions.

Tr-DNA products in the cancer diagnostic market can be expected to be highly competitive based on cost, simplicity, and patient compliance. For example, it is likely that a urine test for patients at high-risk for pre-cancerous polyps will have better acceptance than the more invasive colonoscopy. Additionally, preliminary results with Tr-DNA associated with the Thomas Jefferson University study suggest that Tr-DNA may have significantly greater sensitivity than many existing tests such as Fecal Occult Blood Testing (FOBT).

Transplantation According to government statistics, there are approximately 50,000 organ transplants performed in the U.S. annually. Post-transplant monitoring for organ rejection requires a highly invasive tissue biopsy. Approximately 10 biopsies

are taken over a period of one-year which results in approximately 500,000 tests/year market in the U.S. alone. Because organ rejection is marked by early death of the cells, we believe that an early indication of rejection can be identified by measuring a unique series of genetic markers characteristic of the organ donor that can be easily detected in random urine specimens from the transplant recipient. Providing early evidence of tissue rejection is key to administration and monitoring of immunosuppressive therapies. Opportunities for partnering with companies developing drugs for controlling tissue rejection, companies developing cell transplantation, or companies developing novel transplantation technologies illustrates the breadth of commercial potential of the Tr-DNA platform technology.

Infectious diseases Agents such as viruses, bacteria and parasites that have precise genetic signatures cause many infectious diseases. We recently reported clinical data that demonstrated the ability to detect HIV-DNA in the urine of AIDS patients and the DNA of common and multi-drug resistant strains of Mycobacterium tuberculosis ("TB" and "MTB" respectively) in the urine of infected patients. In the case of the HIV virus, the sensitivity of the test under development allowed 90% detection of patients with residual disease; a stage at which the viral load of a patient is either barely detectable, or not detectable at all by conventional methods. If developed, it can be expected that this test may provide physicians with new information and assist in the treatment of AIDS. According to the World Health Organization (WHO) the resurgence of tuberculosis (TB), especially its multi-drug resistant strain (MTB), represents a critical worldwide problem. The ability to simultaneously detect both TB and MTB from a simple urine sample suggests that tests based on Tr-DNA may be easier to collect and perform in non-industrialized countries than with current culture-based methods. An additional benefit of Tr-DNA testing is that urine does not contain HIV and many other infectious agents, and thus is much less dangerous to healthcare workers, whereas blood is highly infectious.

Tr-DNA products in infectious disease can be expected to be highly competitive based on cost, simplicity and patient compliance, especially in non-industrialized nations. The future pipeline for infectious disease products may include extension of the technology to the detection of parasites, and/or applications for combating bio-terrorism.

Drug Development and Monitoring of Therapeutic Outcomes The Tr-DNA technology has significant potential as a means of monitoring clinical responses to new drugs in development and evaluating patient-specific responses to already approved therapies. Specific target applications include the monitoring of transplantation patients on immunosuppressive drugs, detection of metastasis following tumor surgery, monitoring of tumor progression during chemotherapy, and the development of optimal hormonal and chemotherapeutic treatment protocols.

One of the largest costs associated with development of new drugs is the size of the human clinical trial required to identify the cohort of responders to the drug. By measuring specific genetic markers it may be possible to pre-identify the responding population. This would significantly reduce the cost to develop a drug. Alternately, in cancer treatment today, there is not a reliable way to determine if a particular patient is responding to chemotherapy. Generally patients are reexamined after a 60-day interval to determine if the tumor has grown in size, reduced in size or remained the same. If the tumor has grown in size, or remained the same, the chemotherapy is adjusted. By measuring specific genetic markers in the patient's urine pre and post chemotherapy, it may be possible to determine whether a patient is responding to chemotherapy within 48 hours after administration instead of the current 60-day cycle. These applications of Tr-DNA technology may permit therapeutic decisions on a patient-specific basis. About 1.25 million new cancer cases are diagnosed annually and there are several hundred companies developing chemotherapeutic agents in the United States alone. This defines the size of the potential market for applications of Tr-DNA technology in drug development and monitoring therapeutic outcomes.

Business Strategy

We plan to use our Tr-DNA technology to develop FDA approved commercial diagnostic products in each of our initial focus markets of prenatal genetic screening, infectious disease and cancer monitoring, progression and re-growth. We expect to sell our products to private independent medical laboratories, federal and state medical laboratories and private and governmental hospitals. At the late stages of development of each product while collecting clinical data for an FDA submission, we intend to market the products as ASR's to certain laboratories approved under CLIA. There are approximately 3,000 CLIA licensed laboratories in the United States, but two laboratories, Quest Diagnostic and LabCorp represent approximately 60% of the total market. CLIA laboratories may offer the tests and receive reimbursement under the "home brew" rules and we hope to establish an initial market presence and generate revenues prior to FDA approval.

If we receive FDA approval for our products, we intend to market the tests to medical testing laboratories. Approval by the FDA would enable us to file for approval to market the tests in Europe. We have completed proof-of-principle studies and developed the core capabilities for test development internally and manufacturing through contract suppliers. We intend to add dedicated product development and regulatory personnel in order to speed up the development of initial products and future diagnostic pipelines.

In comparison with many other genetic tests, it is anticipated that the Tr-DNA test may significantly reduce costs as no surgical procedures (amniocentesis/tissue biopsy) are involved and specimen preparation in the laboratory is simple and can easily be

automated. Currently, a large portion of the cost of performing prenatal genetic testing is associated with the surgical procedure to collect the sample from either amniotic fluid, chorionic villus sampling, or tissue biopsy. For example, government statistics for Medicare and Medicaid reimbursement show the typical cost for an amniocentesis is approximately $1,200, but the laboratory charge for this procedure is around $400. Therefore, major advantages of our Tr-DNA test, when commercially available, will be the ease of sample collection and the corresponding reduced overall cost of each test.

During the last decade, medical laboratory operating margins have declined in the face of Medicare fee schedule reductions, managed care contracts, competitive bidding and other cost containment measures. If our technology was commercially available today, reimbursement would be available under the current procedural terminology, or CPT, codes for molecular-based testing. We expect to initially market our tests to medical laboratories at price points that we believe will translate into substantially higher operating margins than has been traditional in the laboratory industry; yet the overall cost to the healthcare system will be reduced by elimination of the surgical component. We believe that will create a strong incentive for laboratories to adopt our Tr-DNA test.

SpaXen Joint Venture

In March, 2004, we organized a joint venture with the Spallanzani National Institute for Infectious Diseases (Instituto Nazionale per le Malattie Infettive, "INMI") in Rome, Italy, in the form of a new R&D company called SpaXen Italia, S.R.L ("SpaXen"). In laboratories provided to SpaXen within INMI, scientists work to apply the Tr-DNA technology to the development of new, truly non-invasive test platforms for a broad variety of infectious diseases. Shares of SpaXen are held 50% by INMI and 50% by us. SpaXen's deed of incorporation (Costituzione Di Societa) dated March 11, 2004 provides, among other terms, the following:

- INMI contributed 100,000 Euros in cash and we contributed intellectual property, as further described below, which was deemed to have a value of 100,000 Euros;
- The term of the joint venture is until December 31, 2009, unless extended or wound up prior to that date;
- All shareholder resolutions require a 2/3 super-majority except for certain resolutions regarding amendments to the deed of incorporation, change of corporate purpose, and significant changes in shareholder rights, among others, which require unanimous vote by the shareholders;
- The shareholders of SpaXen may unanimously vote to dissolve SpaXen prior to the end of the term.

SpaXen is managed by two levels of board supervision. The Consiglio di Amministrazione and the Collegio di Sindacali. The Consiglio is comprised of three people. L. David Tomei, our Co-Chairman is Presidente of the Consiglio, Dr. Enrico Girardi, Assistant Scientific Director of INMI represents INMI and Dr. Mauro Piacentini is an outside representative. The authority of the Consiglio is administrative oversight. Dr. Tomei is the sole person with signing authority regarding all normal expenditures by SpaXen. Any expenditures in excess of 1,000 Euros requires the signature of a second member of the Consiglio. The Collegio consists of several auditors registered and certified by the Italian government as required by Italian law. The Collegio’s role is to perform regular examinations and reviews of SpaXen financial statements.

In conjunction with the formation of SpaXen, we and INMI entered into a Shareholder Agreement, which provides, among other terms, the following:

- As our contribution to SpaXen, we agreed to give to SpaXen all rights and patent applications to that portion of the Tr-DNA technology that applies Tr-DNA technology to the field of infectious diseases (the "Contributed IP");
- All profits of SpaXen will be reinvested into research and development of intellectual property applying Tr-DNA technology to pathologies caused by or associated with infectious agents (the "Newly Developed IP");
- INMI will be the sole owner of all Newly Developed IP;
- SpaXen will be the sole owner of all intellectual property derived from SpaXen's research that may be applied in fields other than pathologies caused by or associated with infectious agents (the "Derivative IP");
- We will have royalty-free, perpetual, exclusive, worldwide commercialization rights for Derivative IP;
- We will have exclusive worldwide commercialization rights for Newly Developed IP in consideration for a license fee payment of not more than 10% of net proceeds of all products utilizing Newly Developed IP;
- The initial term of commercialization rights for Newly Developed IP is 5 years (commencing April 7, 2004), with the possibility of a 5 year extension;

- In the event that a patent issues based on Newly Developed IP during the term of commercialization rights for Newly Developed IP, the commercialization rights for Newly Developed IP will be extended for the duration of such patent; and

- Upon dissolution of SpaXen, our commercialization rights for Newly Developed IP will terminate, the Contributed IP will revert back to us and all capital surplus will be paid to INMI;

On June 28, 2005, our company, SpaXen and INMI entered into a license agreement in which INMI granted to SpaXen an exclusive license to manufacture, have manufactured, use, import, offer to sell and/or sell products covered by certain existing and newly developed intellectual property assigned to INMI, pertaining to the application of Tr- DNA technology to the field of infectious diseases. In addition, SpaXen granted to us an exclusive sublicense to manufacture, use, import and/or sell any products covered by the same INMI intellectual property licensed by SpaXen from INMI. Pursuant to the license agreement we agreed to pay to SpaXen a running royalty of 2% of our net sales of any product resulting from the licensed INMI intellectual property. SpaXen has agreed to pay INMI a running royalty of 50% of the royalty fees paid by us.

SpaXen's primary research and development targets will be tests for diagnosis of AIDS, hepatitis B, tuberculosis, malaria, and leishmaniasis, diseases with the highest levels of morbidity and mortality. There can be no assurance that the Shareholder Agreement will continue and if the Shareholder Agreement is terminated, we will have to find alternate sources for human clinical samples and will have to hire and train adequate scientific personnel which will significantly increase expenses. We may not be able to find alternate sources for human clinical samples and may not be able to afford the personnel necessary to continue development of infectious disease products

Intellectual Property

We consider the protection of our proprietary technologies and products to be a critical element in the success of our business. As of October 24, 2005, we had 3 issued U.S. patents and no foreign patents. The 3 U.S. patents expire in 2018 and are directed at the detection of a nucleic acid fragment that has crossed the kidney and/or placental barriers. One of the U.S. patents consists of claims directed to analysis of fetal DNA and determining the sex of a fetus. Another of the U.S. patents consists of claims directed to detecting and monitoring cancer in a patient and the remaining U.S. patent consists of claims directed to the monitoring of transplanted material in a patient. We have filed a reissue application with respect to the U.S. patent related to the monitoring of transplanted material, with additional claims directed to the detection and monitoring of infectious diseases. There can be no assurance that the reissue application will be allowed. As of October 24, 2005, we have filed 2 U.S. patent applications with claims directed to methods of detection and monitoring specific diseases caused by pathogens and viruses and 2 provisional patent applications with claims directed to methods of detecting Down Syndrome and detecting specific diseases caused by parasites. We have filed a European Patent Office application which includes claims similar to the issued and pending U.S. patents. A communication has been received from the European Patent Office, informing us that it intends to grant a patent with claims directed to methods of analysis of fetal DNA. Additional claims remain pending in a divisional application. These European patents, if and when granted, will expire in 2018. In addition to pursuing patents and patent applications relating to our platform technology, we have and may enter into other license arrangements to obtain rights to third-party intellectual property where appropriate.

Wherever possible we seek to protect our inventions through filing U.S. patents and foreign counterpart applications in selected other countries. Because patent applications in the U.S. are maintained in secrecy for at least eighteen months after the applications are filed and since publication of discoveries in the scientific or patent literature often lags behind actual discoveries, we cannot be certain that we were the first to make the inventions covered by each of our issued or pending patent applications or that we were the first to file for protection of inventions set forth in such patent applications. Our planned or potential products may be covered by third-party patents or other intellectual property rights, in which case continued development and marketing of the products would require a license. Required licenses may not be available to us on commercially acceptable terms, if at all. If we do not obtain these licenses, we could encounter delays in product introductions while we attempt to design around the patents, or could find that the development, manufacture or sale of products requiring these licenses is foreclosed.

We may rely on trade secrets to protect our technology. Trade secrets are difficult to protect. We seek to protect our proprietary technology and processes by confidentiality agreements with our employees and certain consultants and contractors. These agreements may be breached, we may not have adequate remedies for any breach and our trade secrets may otherwise become known or be independently discovered by competitors. To the extent that our employees or our consultants or contractors use intellectual property owned by others in their work for us, disputes may also arise as to the rights in related or resulting know-how and inventions.

Technology Acquisition Agreement

On June 24, 2004, we entered into a technology acquisition agreement dated June 24, 2004 with L. David Tomei, Co-Chairman, Samuil Umansky, President, Hovsep Melkonyan, Vice President, Research, Anatoly Lichtenstein and Kathryn Wilkie (collectively, the “Shareholders”) and Xenomics Sub pursuant to which the Shareholders have the option for a period of 90 days after the delivery of an accounting from us (due by August 1, 2006) to acquire the Tr-DNA technology from us in the event we expended less than 50% of the aggregate net proceeds received by us from our aggregate equity or debt financings during the two year period ending on July 2, 2006, on development of the Tr-DNA technology. In the event the option is exercised, the consideration for the acquisition would be the shares of our common stock owned by the Shareholders plus the market value of any of our shares of common stock sold by the Shareholders.

Manufacturing

We expect it will take 2 to 3 years for our first product to be commercialized. During the second half of 2006, with the

addition of appropriate regulatory personnel, we intend to create a good manufacturing practice, or GMP, compliant manufacturing facility. At the same time, we must adopt the FDA Quality System Regulations (QSR) system of documentation. In most cases, we expect to purchase bulk quantities of specified raw materials and reagents from qualified vendors. In some cases, we may synthesize certain materials and reagents. Currently, we do not have any agreements for the purchase of raw materials from any suppliers. We expect our manufacturing facility to use bulk materials to assemble reagent sets, perform quality control testing and package the reagent sets for shipping and distribution. Because we do not have manufacturing experience, we may not be able to establish a GMP compliant facility or develop reproducible and effective manufacturing processes at a reasonable cost. In such event, we will have to rely on third party manufacturers whose availability and cost is presently unclear. At the present time our proposed products are still in development and we have not yet entered into distribution agreements or developed methods of distribution.

Reimbursement

Medicare and other third-party payors will independently evaluate our technologies by, among other things, reviewing the published literature with respect to the results obtained from our clinical studies. Currently, CPT codes are available which we believe will allow our technologies to be billed following completion of a test prescribed (ordered) by a physician for a patient. We believe that the existence of current CPT codes with applicability to our screening test will help facilitate Medicare's reimbursement process. During the development phase, there can be no assurance that the rules connected with reimbursement will remain constant. If the rules change significantly it may make our Tr-DNA test non-reimbursable and would significantly reduce our ability to generate revenue.

Government Regulation

Regulation by governmental authorities in the United States and other countries will be a significant factor in the production and marketing of any products that may be developed by us. The nature and the extent to which such regulation may apply will vary depending on the nature of any such products. Virtually all of our potential products will require regulatory approval by governmental agencies prior to commercialization. It is our intention to submit and obtain FDA approval for all of our diagnostic products.

Generally, diagnostic products based upon our Tr-DNA technology, will require FDA approval or clearance before they can be marketed for commercial distribution. Because we intend to apply for FDA approval for each of our developed products, at the earliest stage of development we will have to adopt and adhere to design control and documentation standards contained in the FDA Quality System Regulation. This will require significant training efforts and an increase in regulatory personnel.

FDA approval may be obtained through submission of a 510-K statement of equivalency, or through a Pre-Market Approval (PMA) application. A 510-K submission requires that we show equivalency of results in a clinical study with parallel comparison against an existing and FDA-recognized reference method. We believe our initial test for Down syndrome can receive approval under a 510-K process because amniocentesis represents an adequate FDA-recognized reference test. However, we have not had any meetings with the FDA to verify this finding and there can be no assurance that we will succeed in obtaining FDA approval through the 510-K application. If the FDA rejects our application for 510-K approval, we will be required to undertake a significantly longer and more extensive clinical study to produce sufficient and compelling data for approval under a PMA application. PMA applications evaluate the test on merits of the data alone. There can be no assurance that we will ever receive FDA approval for any of our diagnostic products.

The FDA also regulates the sale of certain reagents, including our potential reagents, used by laboratories under the “home brew” rules to perform tests. The FDA refers to these reagents as Analyte Specific Reagents (ASR’s). ASR’s generally do not require FDA pre-market approval or clearance if they are (i) sold to clinical laboratories certified under the Clinical Laboratory Improvement Act to perform high complexity testing and (ii) are labeled in accordance with FDA requirements, including a statement that their analytical and performance characteristics have not been established. The FDA also regulates all promotional materials and specifically prohibits medical claims and efficacy claims. However, prior to, or in lieu of FDA approval, we can sell our reagents to laboratories that meet the established criteria. Failure to receive FDA approval would severely limit our customer base and significantly impact the generation of revenues.

Even if we receive FDA approval for our products, a number of other FDA requirements apply to our manufacturing and distribution efforts. Medical device manufacturers must be registered and their products listed with the FDA, and certain adverse events, such as reagent failures, significant changes in quality control and other events requiring correction and/or replacement/removal of reagents must be documented and reported to the FDA. The FDA also regulates the product labeling, promotion, and in some cases, advertising, of medical devices. As discussed above, we must comply with the FDA's Quality System Regulation which establishes extensive requirements for design control, quality control, validation and manufacturing. Thus, even with FDA approval, we must continue to spend time, money and effort to maintain compliance, and failure to comply can lead to enforcement action. The FDA periodically inspects facilities to determine compliance with these and other requirements.

Competition

The medical diagnostic industry is characterized by rapidly evolving technology and intense competition. Our competitors include medical diagnostic companies, most of which have financial, technical and marketing resources significantly greater than our resources. In addition, there are a significant number of biotechnology companies working on evolving technologies that may supplant or make our technology obsolete. Academic institutions, governmental agencies and other public and private research organizations are also conducting research activities and seeking patent protection and may commercialize products on their own or through joint venture. We are aware of certain development projects for products to prevent or treat certain diseases targeted by us. The existence of these potential products or other products or treatments of which we are not aware, or products or treatments that may be developed in the future, may adversely affect the marketability of products developed.

Currently, the only definitive method for detecting prenatal Down syndrome is amniocentesis. It is a highly invasive procedure that involves inserting a long needle into the amniotic sac and removing a portion of amniotic fluid. Approximately 1% of the time, the procedure results in a spontaneous miscarriage. For this reason, the procedure is only recommended for women older than 35 years, where the risk of spontaneous miscarriage is similar to the risk of Down syndrome. Unfortunately, the largest number of Down syndrome births occurs in the 17-35 year old group because this group represents the majority of the 6.2 million pregnancies.

Amniotic fluid samples are sent to specialized “cytogenetic” laboratories where the fetal cells in the fluid are cultured for several days, then the chromatin material is harvested and the individual chromosomes are examined under a microscope. This is a very slow, labor-intensive and highly skilled process, but it is considered the standard of care and because it involves direct examination of the fetal chromosomes is by definition 100% accurate. Government statistics indicate that approximately 200,000 amniocentesis are performed annually in the United States. If our test is developed and found to be reliable, these cytogenetic laboratories will be our direct competitors.

For women who refuse amniocentesis, or are younger than 35 years, physicians opt for tests called the “Triple Screen”, or “Quadruple Screen.” These tests do not provide a definitive diagnosis, only an estimate of the risk. The Triple and Quadruple Screens measure three or four respectively, components of the mothers blood and then apply a mathematical formula to calculate the risk. Virtually all laboratories perform the Triple and Quad screens. When the risk calculated indicates that the patient may be carrying a Down affected fetus (generally 1:270), the patient is referred for amniocentesis to confirm the result. However, the best sensitivity for the Triple and Quadruple Screens reported in the scientific literature is only 75% with a 5% false positive rate and they can only be performed in the second trimester (15-22 weeks) of pregnancy.

We intend to initially market our test as a replacement for the Triple and Quad screens. Unlike the Triple/Quad screen, we expect our test to provide a definitive result. In addition, we expect our test will be a first trimester test with results significantly earlier than the 15-22 weeks required for triple/quad screen or amniocentesis. Because the amniocentesis test is regarded as 100% accurate and is therefore the standard of care, we expect to initially offer the Tr-DNA test as a pre-screen for amniocentesis replacing the triple/quad screen. We expect that a negative result will be a reliable negative and that a positive result will be confirmed by amniocentesis.

Employees

As of October 24, 2005 we had 10 full-time and 3 part-time employees. We believe our employee relations are satisfactory.

DESCRIPTION OF PROPERTY

We entered into a lease for separate office space in New York, New York directly from an unaffiliated landlord for September 2004 occupancy. The space is approximately 2,000 square feet and the lease is for seven years ending September 30, 2011. In addition, we have leased a laboratory facility of approximately 3,700 sq. ft. in Monmouth Junction, New Jersey. We believe that these facilities, together with laboratory facilities provided to SpaXen by INMI, are adequate for our current level of activity.

LEGAL PROCEEDINGS

We are not a party to any pending legal proceedings.

DIRECTORS AND EXECUTIVE OFFICERS

Directors and Executive Officers

The following table sets forth information regarding our executive officers and directors as of October 24, 2005:

Name	Age	Positions
L. David Tomei, Ph.D.	60	Co-Chairman of the Board, President , SpaXen Italia, srl
Gabriele M. Cerrone	33	Co-Chairman of the Board
V. Randy White, Ph.D.	58	Chief Executive Officer and Director
Hovsep Melkonyan, Ph.D.	53	Vice President, Research
Bernard Denoyer	58	Vice President - Controller
Samuil Umansky, M.D., Ph.D.	63	President and Chief Scientific Officer and Director
Christoph Bruening	37	Director
Thomas Adams, Ph.D.	62	Director
Donald H. Picker, Ph.D	59	Director

L. David Tomei, Ph.D. Dr. Tomei, one of our founders, has served as Chairman of the Board of Directors since July 2, 2004 and Co-Chairman since July 8, 2005. In 1998, Dr. Tomei co-founded Xenomics, a California corporation (previously known as Diagen, Inc.) and was its Chairman until its acquisition by us on July 2, 2004. From August 1998 to January 1999, Dr. Tomei lectured as a Visiting Professor at the University of Rome, Italy. From September 1992 to July 1998, Dr. Tomei was a scientist with LXR Biotechnology, Inc., a company of which he was one of the founders. Dr. Tomei graduated from Canisius College (1968) and received his Master's of Science (1971) in Biochemistry, and Doctorate in Molecular Pharmacology (1974) from the Roswell Park Cancer Institute Division of SUNY. From 1973 to 1975, he headed the FMD virus vaccine R&D laboratory at the Plum Island Animal Disease Laboratory (USDA, ARS). Dr. Tomei was a scientist at Roswell Park and The Ohio State University Cancer Center through 1992. Dr. Tomei has published over 140 scientific papers, two books (Cold Spring Harbor Laboratory Press), and holds 16 U.S. patents in the fields of biotechnology and optical design and engineering. He organized the first International Conference on Apoptosis held at Cold Spring Harbor, 1991, and, together with Luc Montagnier, organized the First International Conference on Apoptosis and AIDS held in Paris, 1994. Dr. Tomei devotes approximately 30 hours per week to his duties as President of SpaXen Italia, srl.

Gabriele M. Cerrone Mr. Cerrone has served as Co-Chairman of the Board of Directors since July 8, 2005 and a consultant since June 2005. From March 1999 to January 2005, Mr. Cerrone served as a Senior Vice President of Investments of Oppenheimer & Co. Inc., a financial services firm. Prior to such affiliation, Mr. Cerrone held the position of Managing Director of Investments at Barrington Capital, L.P., a merchant bank, between March 1998 and March 1999. Between May 2001 and May 2003, Mr. Cerrone served on the board of directors of SIGA Technologies, Inc. Mr. Cerrone currently serves as Chairman of the Board and a consultant to Callisto Pharmaceuticals, Inc., a biotechnology company. Mr. Cerrone was appointed Chairman of the Board of FermaVir Pharmaceuticals, Inc. in August 2005, a company whose common stock is quoted on the OTCBB, and serves as a consultant. FermaVir (formerly Venus Beauty Supply, Inc.) acquired FermaVir Research, Inc. in August 2005 and, through FermaVir Research, is engaged in the research and development of anti-viral compounds targeting shingles and other viral infections. Mr. Cerrone is the managing partner of Panetta Partners Ltd., a Colorado limited partnership, that is a private investor in real estate and public and private companies engaged in biotechnology and other areas. Panetta Partners owns more than 5% of our outstanding common stock, and also owns approximately 16.9% of the outstanding stock of FermaVir Pharmaceuticals, Inc. as of October 26, 2005.

V. Randy White, Ph.D. Dr. White has served as our Chief Executive Officer since September 3, 2004 and a Director since October 2004. From January 2003 to September 2004, Dr. White was Chief Operating Officer for Clinical Laboratory Partners, Inc. From June 1, 2000 to December 31, 2002, Dr. White was the Chief Executive Officer of Nanogen, Inc. From September 1997 to June 2000, Dr. White was the Executive Vice President of Operations and Research and Development for American Medical Laboratories, Inc. From September 1975 to December 1992, Dr. White served in various capacities including Senior Vice President of Operation from 1985 to 1992 of National Health Laboratories Holdings Inc. Dr White earned a Ph.D. degree in Analytical Chemistry from the University of Houston in 1972 and completed a post-doctoral training program in Clinical Chemistry at Damon Medical Laboratories in Birmingham, Alabama in conjunction with the University of Alabama at Birmingham in 1973.

Hovsep Melkonyan, Ph.D. Dr. Melkonyan has served as our Vice President, Research since July 2004. Dr. Melkonyan graduated from Yerevan State University (Armenia) in 1974 and received qualifications in two major subjects: physico-chemical structure of DNA molecules and kinetics of enzymatic reactions. He completed his Ph.D. program in 1981 at the Institute of Biological Physics, USSR Academy of Sciences (“IBP”). Following graduate school, in 1982 Dr. Melkonyan joined The Institute of Molecular Genetics of the Ministry of USSR Medical Industry. In 1993, Dr. Melkonyan moved to the U.S. and joined LXR Biotechnology, Inc. where he remained until 1999. Dr. Melkonyan was a co-founder of Xenomics and was a director and vice president of Xenomics from 1999 until its acquisition by us on July 2, 2004.

Samuil R. Umansky, M.D., Ph.D. Dr. Umansky, one of our founders, has served as our President, Chief Scientific Officer and Director since July 2, 2004. Dr. Umansky co-founded Xenomics with Dr. Tomei in 1998. From August 1997 to August 1999, Dr. Umansky was the Chief Scientific Officer of LXR Biotechnology, Inc. From January 1996 to 1997 he was LXR’s Vice President of Molecular Pharmacology and prior thereto, he was LXR’s Director of Cell Biology. Dr. Umansky graduated from Kiev Medical School (USSR) in 1964. In 1968 he received a Ph.D. and in 1975 a Dr.Sci. in radiobiology from IBP. From 1968 to 1993 Dr. Umansky was a professor at IBP. He was among the very first scientists to begin studies of apoptosis, or programmed cell death. He performed pioneering studies on DNA degradation in dying cells and proposed a hypothesis on the existence of a genetic cell death

program, its evolutionary origin and role in carcinogenesis, concepts that more recently have become widely accepted. In 1987, for achievements on the investigation of radiation induced cell death, Dr. Umansky was awarded the Soviet State Prize, the highest scientific honor awarded to a scientist in the Soviet Union. He is a co-founder of the USSR Radiobiological Society.

Bernard Denoyer, CPA. Mr. Denoyer has served as our Vice President and Controller since February 2005. Since January 2004, Mr. Denoyer has also served as Vice President, Finance for Callisto Pharmaceuticals, Inc., a public biotechnology company. From July 2003 to December 2003, Mr. Denoyer served as an independent consultant to Callisto providing interim CFO services. In addition, Mr. Denoyer provided interim CFO and other services to emerging technology companies, principally portfolio companies of Marsh & McLennan Capital, LLC, from October 2000 to December 2003. From October 1994 until September 2000, Mr. Denoyer served as Chief Financial Officer and Senior Vice President at META Group, Inc., a public information technology research company and was instrumental in their 1995 IPO. From 1990 to 1994 Mr. Denoyer served as Vice President, Finance for Environetics, Inc. a biopharmaceutical water diagnostic business acquired by IDEXX Laboratories in 1993. He earned his CPA with Ernst & Young, has a B.A. in Economics from Fairfield University and an MBA in Finance with honors from the Columbia Business School

Christoph Bruening Mr. Bruening has been a director of our company since February 2004 and has served as our President, Secretary and Treasurer from February 2004 to March 2005. Mr. Bruening has served as a Director of Callisto Pharmaceuticals, Inc. since May 2003. Mr. Bruening organized Value Relations GmbH, a full service investor relations firm operating in Frankfurt, Germany in 1999 and currently serves as its Managing Partner. From 1998 to 1999, Mr. Bruening served as a funds manager and Director of Asset Management for Value Management and Research AG, a private investment fund and funds manager in Germany. From 1997 to 1998, Mr. Bruening was a financial analyst and Head of Research for Value Research GmbH. In addition, Mr. Bruening is currently a member of the advisory board of Clarity AG.

Thomas Adams, Ph.D.. Dr. Adams has served as a director since October 2004. Dr. Adams is the founder and Chairman Emeritus of Genta, Inc., a publicly held biotechnology company in the field of antisense technology, and, since September 1998, has been chairman of the board of directors and Chief Executive Officer of Leucadia Technologies, a privately held company in the field of medical devices. From 1989 to 1997, Dr. Adams served as Chief Executive Officer of Genta, Inc. In 1984, Dr. Adams founded Gen-Probe, Inc., a publicly held company that develops and manufactures diagnostic products, and served as its Chief Executive Officer and Chairman until its acquisition by Chugai Biopharmaceuticals, Inc. in 1989. From 1980 to 1984, Dr. Adams was Senior Vice President of Research and Development at Hybritech, which was later acquired by Eli Lilly and Company in 1986. Dr. Adams has also held management positions at Technicon Instruments and the Hyland Division of Baxter Travenol, and served as a director of Biosite Diagnostics, Inc., a publicly held medical research firm, from 1989 to 1998. In addition, Dr. Adams served as a director of XiFin, Inc., a privately held application service provider focusing on the financial management needs of laboratories, and Bio-Mems, a privately held company. Dr. Adams is a director of La Jolla Pharmaceutical Company. Dr. Adams holds a Ph.D. in Biochemistry from the University of California at Riverside.

Donald H. Picker, Ph.D. Dr. Picker was appointed a director of the Company on July 2, 2004. He has served as Executive Vice President, R&D of Callisto Pharmaceuticals, Inc. since April 2004. From May 2003 until April 2004, Dr. Picker served as Senior Vice President, Drug Development of Callisto. Dr. Picker was Chief Executive Officer and President of Synergy Pharmaceuticals Inc. and a member of its board of directors from 1998 to April 2003. From 1996 to 1998, Dr. Picker was President and Chief Operating Officer of LXR Biotechnology Inc. From 1991 to 1996, he was Senior Vice President of Research and Development at Genta Inc.

Compliance with Section 16(a) of the Exchange Act.

During fiscal 2005, our common stock was not registered under Section 12 of the Securities Exchange Act of 1934, as amended, and therefore our executive officers, directors and ten percent or more beneficial holders of our common stock were not subject to Section 16(a).

Code of Business Conduct and Ethics

We have adopted a formal Code of Business Conduct and Ethics applicable to all Board members, executive officers and employees. A copy of this Code of Business Conduct and Ethics is filed as an exhibit to our Annual Report on Form 10-KSB for the fiscal year ended January 31, 2005.

Audit Committee

The audit committee's responsibilities include: (i) reviewing the independence, qualifications, services, fees, and performance of the independent auditors, (ii) appointing, replacing and discharging the independent auditors, (iii) pre-approving the professional services provided by the independent auditors, (iv) reviewing the scope of the annual audit and reports and recommendations submitted by the independent auditors, and (v) reviewing our financial reporting and accounting policies, including any significant changes, with management and the independent auditors. The audit committee currently consists of Thomas Adams and Donald Picker. Our Board has determined that each of Mr. Adams and Mr. Picker is "independent" as that term is defined under applicable

SEC rules. We currently do not have an audit committee financial expert serving on our audit committee. We expect to shortly appoint a director who qualifies as an "audit committee financial expert" as defined in Item 401(e) of Regulation S-B promulgated by the SEC.

Compensation Committee

We have a compensation committee consisting of Thomas Adams and Donald Picker. The compensation committee reviews, and makes recommendations to the board of directors regarding, the compensation and benefits of our chief executive officer and other executive officers. The compensation committee also administers the issuance of stock options and other awards under our stock plan and establishes and reviews policies relating to the compensation and benefits of our employees.

EXECUTIVE COMPENSATION

The following summary compensation table sets forth certain information concerning compensation paid to our Chief Executive Officer and our four most highly paid executive officers (the "Named Executive Officers") whose total annual salary and bonus for services rendered in all capacities for the year ended January 31, 2005 was $100,000 or more.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation		
		Salary ($)	Bonus ($)	Other Annual Compensation ($)
L. David Tomei, Ph.D, Co-Chairman (1)	2005	58,333	—	—
V. Randy White, Ph.D, Chief Executive Officer	2005	62,019	—	—
Samuil R.Umansky, M.D., Ph.D, President	2005	83,461	—	—
Hovsep Melkonyan, Ph.D, Vice President, Research	2005	69,153	—	—

(1) Dr. Tomei is being paid pursuant to a consulting agreement with us.

Prior to the acquisition of Xenomics on July 2, 2004, Xenomics never paid compensation to its executive officers.

Option Grants in Fiscal Year 2005

The following table sets forth certain information concerning grants of stock options to the Named Executive Officers during the fiscal year ended January 31, 2005.

Name	Number of Shares Underlying Options Granted	Percent of Total Options Granted to Employees in 2005	Exercise Price Per Share	Expiration Date
L. David Tomei, Ph.D, Co-Chairman	1,012,500	18.6%	$1.25	6/24/2014
V. Randy White, Ph.D, Chief Executive Officer	1,425,000	26.2%	$2.25	9/13/2014
Samuil R.Umansky, M.D., Ph.D, President	1,012,500	18.6%	$1.25	6/24/2014
Hovsep Melkonyan, Ph.D, Vice President, Research	675,000	12.4%	$1.25	6/24/2014

Aggregated Option Exercises in Fiscal Year 2005 and Year End Option Values

The following table provides certain information with respect to the Named Executive Officers concerning the exercise of stock options during the fiscal year ended January 31, 2005 and the value of unexercised stock options held as of such date.

Name	Number of Shares Underlying Options at January 31, 2005		Value of Unexercised In the Money Options at January 31, 2005	
	Exercisable	Unexercisable	Exercisable	Unexercisable (1)
L. David Tomei, Ph.D, Co-Chairman		1,012,500		$2,784,375
V. Randy White, Ph.D, Chief Executive Officer		1,425,000		$2,493,750
Samuil R.Umansky, M.D., Ph.D, President		1,012,500		$2,784,375
Hovsep Melkonyan, Ph.D, Vice President, Research		675,000		$1,856,250

During the fiscal year ended January 31, 2005, no options were exercised.

(1) Amounts calculated by subtracting the exercise price of the options from the market value of the underlying common stock using the closing price on the OTC Bulletin Board of $4.00 per share on January 31, 2005.

Employment Agreements

On February 14, 2005, we entered into an employment agreement with Bernard Denoyer, pursuant to which Mr. Denoyer will serve as our Vice President-Controller for period of 1 year commencing February 14, 2005. The agreement is automatically renewed for successive 1 year periods until written notice not to renew is delivered by either us or Mr. Denoyer. Mr. Denoyer’s salary is $60,000 per year. In connection with the employment agreement, Mr. Denoyer received a grant of 75,000 incentive stock options pursuant to our stock option plan with an exercise price of $2.50 per share. Such options will vest at the rate of 25,000 per year for a period of three years beginning on January 14, 2006.

On July 2, 2004, we entered into an employment agreement with Samuil Umansky, Ph.D., pursuant to which Dr. Umansky serves as our President and Chief Scientific Officer. Dr. Umansky's employment agreement is for a term of 36 months beginning June 24, 2004 and is automatically renewable for successive one year periods at the end of the term. Dr. Umansky's salary is $175,000 per year and he is eligible to receive a cash bonus of up to 50% of his salary per year. In connection with the employment agreement, Dr. Umansky received a grant of 1,012,500 stock options which vest in annual installments of 253,125, 303,750 and 455,625 and are exercisable at $1.25 per share.

On September 3, 2004, Dr. White and the Company entered into a letter agreement. Pursuant to the letter agreement, the Company will employ Dr. White as Chief Executive Officer for a period of 3 years commencing September 13, 2004. Dr. White will be paid an annual base salary of $215,000. We have agreed to rent for Dr. White's benefit a studio apartment in New York, New York.

Dr. White was granted an aggregate 1,425,000 incentive stock options pursuant to our Plan with an exercise price of $2.25 per share. 300,000 of such options shall vest on the first anniversary of the date of the Letter Agreement, 350,000 of such options shall vest on the second anniversary of the date of the letter agreement and 400,000 of such options shall vest on the third anniversary of the date of the letter agreement (the “Sale Options”). The remaining 375,000 options shall vest in the event there is a sale of the Company for consideration equal to $15.00 per share or more.

In the event there is a sale of the Company for consideration exceeding $9.25 per share, Dr. White shall be entitled to a cash bonus of $500,000 and all of his unvested Sale Options shall immediately vest. In the event there is a sale of the Company for consideration equal to $15.00 per share or more, Dr. White shall be entitled to a cash bonus of $750,000. In addition, at any time during the term of his employment, in the event the stock price of the common stock of the Company exceeds $9.25 per share for 60 consecutive trading days, all of Dr. White's unvested Sale Options shall immediately vest.

On July 2, 2004, we entered into an employment agreement with Hovsep Melkonyan, Ph.D., pursuant to which Dr. Melkonyan serves as Vice President, Research for a term of 36 months beginning June 24, 2004, which is automatically renewable for successive one year periods at the end of the term. Dr. Melkonyan's salary is $135,000 per year and he is eligible to receive a cash bonus of up to 50% of his salary per year. In connection with the employment agreement, Dr. Melkonyan received a grant of 675,000 stock options which vest in annual installments of 168,750, 202,500 and 303,750 and are exercisable at $1.25 per share.

On July 2, 2004, we entered into a consulting agreement with L. David Tomei, Ph.D., pursuant to which Dr. Tomei agreed to serve as Co-Chairman of our Board. Dr. Tomei's consulting agreement is for a term of 36 months beginning June 24, 2004 and is automatically renewable for successive one year periods at the end of the term. Dr. Tomei's annual consulting fee is $175,000 per year and he is eligible to receive cash bonuses of up to 50% of his salary per year, or $87,500, upon the achievement of certain milestones. Dr. Tomei received a grant of 1,012,500 stock options which vest in annual installments of 253,125, 303,750 and 455,625 and are exercisable at $1.25 per share.

Stock Option Plan

In June 2004 we adopted the Xenomics Stock Option Plan, as amended (the "Plan"). We rely on incentive compensation in the form of stock options to retain and motivate directors, executive officers, employees and consultants. Incentive compensation in the form of stock options is designed to provide long-term incentives to directors, executive officers employees and consultants, to encourage them to remain with us and to enable them to develop and maintain an ownership position in our common stock.

The Plan authorizes the grant of stock options to directors, eligible employees, including executive officers and consultants. The value realizable from exercisable options is dependent upon the extent to which our performance is reflected in the value of our common stock at any particular point in time. Equity compensation in the form of stock options is designed to provide long-term incentives to directors, executive officers and other employees. We approve the granting of options in order to motivate these employees to maximize stockholder value. Generally, vesting for options granted under the Plan is determined at the time of grant, and options expire after a 10-year period. Options are granted at an excise price not less than the fair market value at the date of grant. As a result of this policy, directors, executives, employees and consultants are rewarded economically only to the extent that the stockholders also benefit through appreciation in the market. Options granted to employees are based on such factors as individual initiative, achievement and performance. In administering grants to executives, we evaluate each executive's total equity compensation package. We generally review the option holdings of each of the executive officers, including vesting and exercise price and the then current value of such unvested options. We consider equity compensation to be an integral part of a competitive executive
compensation package and an important mechanism to align the interests of management with those of our stockholders.

A total of 5,000,000 shares have been reserved for issuance under the Plan. As of October __, 2005, options for 6,290,000 shares were outstanding under the Plan. 1,290,000 of such options have been granted to subject to stockholder approval of an increase in the number of shares that can be granted under the Plan. The options we grant under the Plan may be either "incentive stock options" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), or non-statutory stock options at the discretion of the Board of Directors and as reflected in the terms of the written option agreement. The Plan is not a qualified deferred compensation plan under Section 401(a) of the Code, and is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

The following table summarizes information about our equity compensation plans as of October 26, 2005.

Equity Compensation Plan Information

Plan Category	Number of Shares of Common Stock to be Issued upon Exercise of Outstanding Options (a)	Weighted-Average Exercise Price of Outstanding Options (b)	Number of Options Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a)) (c)
Equity Compensation Plans Approved by Stockholders	5,000,000	$1.50	0
Equity Compensation Plans Not Approved by Stockholders	3,793,501	$2.71	n/a
Total	8,793,501	$2.02	0

On May 24, 2005, our Compensation Committee in recognition of the substantial time and effort to our affairs during the past year by each of Gabriele M. Cerrone, Co-Chairman, L. David Tomei, Co-Chairman and President of SpaXen Italia, srl, our joint venture with the Spallanzani National Institute for Infectious Diseases in Rome, Italy, Samuil Umansky, President and Hovsep Melkonyan, Vice President, Research, accelerated the vesting of outstanding stock options dated June 24, 2004 previously granted to each such officer in the amounts of 1,050,000, 1,012,500, 1,012,500 and 675,000, respectively, so that such options vest as of May 24, 2005.

In addition, the Compensation Committee granted additional nonqualified stock options to Messrs. Cerrone, Tomei, Umansky and Melkonyan in the amounts of 240,000, 255,000, 225,000 and 75,000, respectively, pursuant to the Plan, subject to stockholder approval of an increase in the number of shares of common stock issuable under the Plan, as an additional incentive to perform in the future on behalf of our company and its stockholders. Such options are exercisable at $2.50 per share with 33-1/3% of the options granted to each officer vesting on each of the first three anniversaries of the date of grant.

MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

Our common stock has been quoted on the OTC Bulletin Board under the symbol "XNOM.OB" since July 27, 2004. Prior to such date, our common stock was quoted on the OTC Bulletin Board under the symbol “UKAR.OB” but never traded. The following table shows the reported high and low closing bid quotations per share for our common stock based on information provided by the OTC Bulletin Board. Particularly since our common stock is traded infrequently, such over-the-counter market quotations reflect inter-dealer prices, without markup, markdown or commissions and may not necessarily represent actual transactions or a liquid trading market.

Fiscal 2006	High	Low
Third Quarter (through October 26, 2005)	$ 2.47	$ 1.80
Second Quarter	$ 4.46	$ 2.08
First Quarter	$ 4.25	$ 2.50

Fiscal 2005	High	Low
Fourth Quarter	$ 4.35	$ 3.65
Third Quarter	$ 3.80	$ 2.75

Number of Stockholders

As of October 26, 2005, there were 133 holders of record of our common stock.

Dividend Policy

Historically, we have not paid any dividends to the holders of our common stock and we do not expect to pay any such dividends in the foreseeable future as we expect to retain our future earnings for use in the operation and expansion of our business. Pursuant to the terms of the Series A Convertible Preferred Stock, dividends cannot be paid to the holders of our common stock so long as any dividends due on the Series A Convertible Preferred Stock remain unpaid.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table indicates beneficial ownership of our common stock as of October 26, 2005 by:

- Each person or entity known by us to beneficially own more than 5% of the outstanding shares of our common stock;
- Each of our executive officers and directors; and
- All of our executive officers and directors as a group.

Except as otherwise indicated, the persons named in the table have sole voting and investment power with respect to all shares beneficially owned, subject to community property laws, where applicable. Unless other indicated, the address of each beneficial owner listed below is c/o Xenomics, Inc., 420 Lexington Avenue, Suite 1701, New York, New York 10170.

Name of Beneficial Owner	Number of Shares	Percentage of Shares Beneficially Owned (1)
Executive officers and directors:		
L. David Tomei Co-Chairman of the Board	1,950,860 (2)	9.9
Gabriele M. Cerrone Co-Chairman of the Board	1,968,858 (3)	10.0
V. Randy White Chief Executive Officer and Director	300,000 (4)	1.6
Bernard Denoyer Vice President, Controller	0	
Samuil Umansky President, Chief Scientific Officer and Director	1,898,309 (5)	9.7
Hovsep Melkonyan Vice President, Research	1,023,803 (6)	5.3
Christoph Bruening Director	115,000 (7)	*
Donald Picker Director	170,000 (8)	*
Thomas Adams Director	0	
All Directors and Executive Officers as a group (9 persons)	7,426,830 (9)	32.7

* less than 1%

(1) Applicable percentage ownership as of October 26, 2005 is based upon 18,604,300 shares of common stock outstanding. Beneficial ownership is determined in accordance with Rule 13d-3 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Under Rule 13d-3, shares issuable within 60 days upon exercise of outstanding options, warrants, rights or conversion privileges ("Purchase Rights") are deemed outstanding for the purpose of calculating the number and percentage owned by the holder of such Purchase Rights, but not deemed outstanding for the purpose of calculating the percentage owned by any other person. "Beneficial ownership" under Rule 13d-3 includes all shares over which a person has sole or shared dispositive or voting power whether or not such person has a pecuniary interest in such shares for purposes of Section 16 of the Exchange Act.

(2) Includes 1,012,500 shares issuable upon exercise of stock options.

(3) Consists of 1,050,000 shares issuable upon exercise of stock options owned by Gabriele M. Cerrone and 918,858 shares of common stock owned by Panetta Partners, Ltd. Mr. Cerrone is the Managing Partner of Panetta Partners, Ltd. and in such capacity exercises voting and dispositive control over securities owned by Panetta. As such, Mr. Cerrone may be deemed, solely for purposes of Section 13(d) of the Securities Exchange Act of 1934, as amended, to "beneficially" own securities in which he has no pecuniary interest and he therefore disclaims such beneficial interest for purposes of Section 16 of the Exchange Act.

(4) Consists of 300,000 shares issuable upon exercise of stock options.

(5) Includes 1,012,500 shares issuable upon exercise of stock options.

(6) Includes 675,000 shares issuable upon exercise of stock options.

(7) Mr. Bruening is a party to the voting agreement and pursuant to the agreement has agreed to vote his shares of common stock for the appropriate number of Xenomics Directors.

(8) Includes 75,000 shares issuable upon exercise of stock options.

(9) Includes 4,125,000 shares issuable upon exercise of stock options.

The beneficial ownership table above does not give effect to a voting agreement dated June 24, 2004 among L. David Tomei, Co-Chairman, Samuil Umansky, President, Hovsep Melkonyan, Vice President, Research, Anatoly Lichtenstein and Kathryn Wilkie (collectively, the "Xenomics Shareholders"), Panetta Partners Ltd., an affiliate of Gabriele M. Cerrone, our Co-Chairman, Hawkeye Incubator Ltd., Etruscan Mobilia Investments, Ltd. and Lazio Bioventure Ltd. (collectively, the "Original Shareholders") and Christoph Bruening, a director, Fimi, SPA, Blenton Management, Roffredo Gaetani, Nicola Granato, R. Merrill Hunter, Mike Wilkins and Fossil Ventures LLC (collectively, the "Investors") pursuant to which so long as the Xenomics Shareholders own an aggregate 752,667 shares of common stock of our company, such Xenomics Shareholders shall have the right to (i) designate 1/3 of the members of the Board of Directors if the number of directors on the Board is more than 7, (ii) designate 2 directors if the number of directors on the Board is between 5 and 7 or (iii) designate 1 director if the number of directors on the Board is less than 5. Messrs. Tomei and Umansky were designated by the former holders of Xenomics Sub shares, to serve as directors pursuant to the voting agreement. The voting agreement, which also provides that Mr. Tomei and Mr. Cerrone serve as co-chairmen of the Board, will terminate upon the earlier of (a) the adjudication by a court of competent jurisdiction that our company is bankrupt or insolvent, (b) the filing of a certificate of dissolution by us, (c) upon the written consent of us and a majority of the Xenomics Shareholders, (d) upon the listing of our shares of common stock on Nasdaq or a national securities exchange, or (e) June 15, 2007.

SELLING STOCKHOLDERS

Below is information with respect to the number of shares of our common stock owned by each of the selling stockholders. Except as described in the table below, none of the selling stockholders has, or had, any position, office or other material relationship with us or any of our affiliates beyond their investment in, or receipt of, our securities. See "Plan of Distribution" for additional information about the selling stockholders and the manner in which the selling stockholders may dispose of their shares. Beneficial ownership has been determined in accordance with the rules of the SEC, and includes voting or investment power with respect to the shares. Unless otherwise indicated in the table below, to our knowledge, all persons named in the table below have sole voting and investment power with respect to their shares of common stock, except to the extent authority is shared by spouses under applicable law. Our registration of these shares does not necessarily mean that the selling stockholders will sell any or all of the shares covered by this prospectus.

We are registering 8,961,719 shares of our common stock, par value $0.0001 per share, for resale by the selling stockholders identified in this prospectus. On July 13, 2005, we completed a private placement of our securities, including 277,100 shares of our Series A Convertible Preferred Stock and warrants to purchase 386,651 shares of our common stock. 1,288,837 of the shares of common stock covered by this prospectus are issuable from time to time upon conversion of the 277,100 shares of Series A Convertible Preferred Stock at a conversion rate of $2.15 per share of common stock. 103,107 of the shares of common stock covered by this prospectus are issuable as in kind dividends with respect to the 277,100 shares of Series A Convertible Preferred Stock. 386,651 of the shares of common stock covered by this prospectus are issuable from time to time upon exercise of the warrants to purchase shares of common stock at $3.25 per share, which are exercisable until July 13, 2010.

Of the remaining 7,183,124 shares of common stock covered by this prospectus, 2,450,495 shares of common stock were issued in a private placement we completed in July 2004 and 2,986,102 shares of common stock were issued in a private placement we completed in two closings, January 2005 and April 2005. The investors in the January 2005 and April 2005 private placement were also issued an aggregate 746,527 warrants to purchase shares of common stock at $2.95 per share, with 367,681 warrants exercisable until January 28, 2010 and 378,846 warrants exercisable until April 7, 2010. The remaining 1,000,000 warrants were issued pursuant to an investor relations agreement with Trilogy Capital Partners, Inc. and its designees to purchase shares of common stock at $2.95 per share and exercisable until January 10, 2008.

The number of shares of common stock that may actually be purchased by some selling stockholders under the warrants, the number of shares of Series A Convertible Preferred Stock that may actually be converted into shares of common stock and the number of shares of common stock that may actually be sold by each selling stockholder will be determined by such selling stockholder. Because some selling stockholders may purchase all, some or none of the shares of common stock which can be purchased under the warrants, some selling stockholders may convert all, some or none of the shares of Series A Convertible Preferred Stock which can be purchased into shares of common stock and each selling stockholder may sell all, some or none of the shares of common stock which each holds, and because the offering contemplated by this prospectus is not currently being underwritten, no estimate can be given as to the number of shares of common stock that will be held by the selling stockholders upon termination of the offering. The information set forth in the following table regarding the beneficial ownership after resale of shares is based on the premise that each selling stockholder will purchase the maximum number of shares of common stock provided for by the warrants or convert shares of Series A Convertible Preferred Stock into the maximum number of shares of common stock and each selling stockholder will sell all of the shares of common stock owned by that selling stockholder and covered by this prospectus.

Pursuant to the terms of the Series A Convertible Preferred Stock, dividends are required to be paid on such shares at the rate of 4% per annum. The dividends may be paid in cash or in-kind with shares of common stock. We are registering in this offering 103,107 shares of common stock, which shares may be issued as dividends to the holders of Series A Convertible Preferred Stock. Although the number of shares of common stock that may actually be issued to the selling shareholders as in-kind dividends will not be known until such times as the dividends are due and payable, we have added to the following table for each selling stockholder, the number of shares to be paid as in-kind dividends assuming we pay all of the dividends payable over the next two years in shares of common stock.

We have filed with the SEC a registration statement, of which this prospectus forms a part, with respect to the resale of the shares of our common stock from time to time, under Rule 415 under the Securities Act, on the OTC Bulletin Board, in privately negotiated transactions, in underwritten offerings or by a combination of these methods for sale. We have agreed to use our commercially reasonable efforts to keep this registration statement effective until the later of (i) the second anniversary of the date on which this registration statement was declared effective and (ii) the date on which all of the shares of common stock are eligible for resale under Rule 144 under the Securities Act without restrictions as to volume.

The shares of our common stock offered by this prospectus may be offered from time to time by the persons or entities named below. Except as otherwise disclosed, the selling stockholders do not have and within the past three years have not had any position, office or other material relationship with us or any of our predecessors or affiliates.

Selling Stockholder	Shares Beneficially Owned Prior to Offering	Number of Shares Offered	Number of Shares Beneficially Owned After Offering (1)	Percentage Beneficially Owned After Offering (2)
Blenton Management	631,579	631,579	0	*
Maria Rosa Olcese	210,526	210,526	0	
Nicola Granato	100,000	100,000	0	
Fossil Ventures LLC	210,205	200,000	10,205	*
The Promotion Factory	394,826	360,526	34,300	*
Christoph Bruening (3)	115,000	100,000	15,000	*
MRM Investment Ltd.	210,526	105,263	105,263	*
Fimi SpA	100,000	100,000	0	
Beaufort Ventures Ltd.	5,000	5,000	0	
Mark Mazzer	11,000	11,000	0	
Svetlana Griaznova	100,000	100,000	0	
R. Merrill Hunter	200,000	200,000	0	
Luca Cesare Orlandi	100,000	100,000	0	
Roffredo Gaetani	230,000	200,000	30,000	*
Mike Wilkins	26,600	26,600	0	
Burton LaSalle BioFund I, LLC	64,103	64,103	0	
Geduld Capital Management, LLC	96,154	96,154	0	
Irwin Geduld Revocable Trust	64,103	64,103	0	
Howard Freedberg	25,641	25,641	0	
Jeffrey Eisenberg	31,250	31,250	0	
Jo-Bar Enterprises, LLC	37,500	37,500	0	
Stanley N. Tennant	62,500	62,500	0	
Curtis F. Brewer, IRA	127,500	127,500	0	
Catalytix, LDC	31,250	31,250	0	
Catalytix, LDC Life Science Hedge	31,250	31,250	0	
Mercator Momentum Fund, LP	246,154	246,154	0	
Mercator Momentum Fund III, LP	171,077	171,077	0	
Mercator Advisory Group, LLC	38,460	38,460	0	
Monarch Point Fund, Ltd.	505,848	505,848	0	
RAB Investment Fund PLC	96,154	96,154	0	
RAB American Opportunities Fund Limited	81,250	81,250	0	
Trilogy Capital Partners, Inc.	800,000	800,000	0	
Market Byte, LLC	100,000	100,000	0	
MBA Holdings, LLC	100,000	100,000	0	
The Lindsay Rosenwald 2000 Family Trust Family Trust Dated As Of 12/15/2000	64,103	64,103	0	
The Lindsay A. Rosenwald 2000 Irrevocable Trust Dated 5/14/2000	64,103	64,103	0	
Philip Schwartz	64,103	64,103	0	
Cordillera Fund, L.P.	320,512	320,512	0	
Florida.com, Inc.	96,175	96,175	0	
Helen Kramer and Jeffrey Kramer	80,129	80,129	0	
Warren Schwartz and Theresa Schwartz	115,385	115,385	0	
John Casper and Ann Casper	112,180	112,180	0	

Selling Stockholder	Shares Beneficially Owned Prior to Offering	Number of Shares Offered	Number of Shares Beneficially Owned After Offering (1)	Percentage BeneficiallyOwned After Offering (2)
Steven Danz	64,144	64,144	0	
William McCuddy	64,103	64,103	0	
Michael Urban and Sherry Urban	48,076	48,076	0	
Sunrise Equity Partners, L.P.	160,256	160,256	0	
Bear Stearns Security Corp. F/B/O Michael D. Canfield	48,076	48,076	0	
Bear Stearns Security Corp. F/B/O Michael S. Urban	64,103	64,103	0	
Ruth S. Grimes	32,051	32,051	0	
Judith Pederson and Gunnar Pedersen	32,051	32,051	0	
MicroCapital Fund LP	384,615	384,615	0	
MicroCapital Fund Ltd.	256,410	256,410	0	
MicroCapital LLC	32,094	32,094	0	
CAMOFI Master LDC	224,651	224,651	0	
Andrew T. Miltenberg	32,094	32,094	0	
Sheila Kramer	48,139	48,139	0	
Mendel Schijueshuurder	32,093	32,093	0	
Moishe Denburg	44,930	44,930	0	
AtlanticCity.com, Inc.	29,526	29,526	0	
Carol Hoffer	48,139	48,139	0	
Randy Greenfield	64,186	64,186	0	
Abraham and Esther Hersh Foundation	64,186	64,186	0	
David Kaleky	22,465	22,465	0	
Nite Capital LP	96,278	96,278	0	
Valor Capital Management LP	64,186	64,186	0	
Andrecca Inc.	160,465	160,465	0	
David and Arlene Gilmore	32,093	32,093	0	
Kim Douglas Lund	160,465	160,465	0	
JGB Capital L.P.	160,465	160,465	0	
Xmark Opportunity Fund, Ltd.	124,200	124,200	0	
Xmark Opportunity Fund, L.P.	82,800	82,800	0	
Xmark JV Investment Partners, LLC	207,000	207,000	0	

* less than 1%.

(1) Assuming that all shares offered here are sold but no other securities held by the selling stockholder are sold.

(2) Except as otherwise noted, we determine beneficial ownership in accordance with Rule 13d-3(d) promulgated by the Commission under the Securities and Exchange Act of 1934, as amended. We include shares of common stock issuable pursuant to options, warrants and convertible securities, to the extent these securities are currently exercisable or convertible within 60 days of July 29, 2005, as outstanding for computing the percentage of the person holding such securities. Unless otherwise noted, each identified person or group possesses sole voting and investment power with respect to shares, subject to community property laws where applicable. We treat shares not outstanding but deemed beneficially owned by virtue of the right of a person or group to acquire them within 60 days as outstanding only to determine the number and percent owned by such person or group. Based upon 18,604,300 shares of common stock outstanding as of October 26, 2005.

(3) Mr. Bruening is a director of our company.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Gabriel M. Cerrone, who became Co-Chairman of the board in July 2005, is the general partner and owns 1% of Panetta Partners, Ltd., a Colorado limited partnership. Panetta Partners acquired the equivalent of 222,000,000 shares of our Common Stock for $386,400 in February 2004, which then constituted 97% of our outstanding Common Stock. As part of our acquisition of Xenomics and the completion of the private placement in July 2004, we redeemed 1,971,734 pre-split shares (the equivalent of 218,862,474 post-split shares) from Panetta Partners for $500,000 of cash which resulted a gain of $113,600 to Panetta Partners , prior to the deduction of legal, accounting, travel and patent research expenses incurred by Panetta Partners during the period from February to July 2004. The principal purpose of the redemption was to lower the relative percentage of shares owned by Panetta Partners compared to non-affiliates, which facilitated the private placement and acquisition of Xenomics Sub from non-affiliates. None of our officers or directors, other than Mr. Cerrone, and Christoph Bruening (who served as our sole officer and director from February 2004 to July 2004) were our affiliates prior to the acquisition of Xenomics. Panetta Partners would have owned approximately 94% of our outstanding Common Stock immediately after the acquisition of Xenomics rather than 15% if we had not redeemed shares of our Common Stock simultaneously with the private placement and the acquisition. The $500,000 redemption price was determined by negotiation between Panetta Partners, and the former holders of Xenomics Sub based on factors such as the acquisition price, the price of the shares expected to be sold in the private placement and what number of shares should be held by unaffiliated holders after the closing of the acquisition of Xenomics Sub.

On May 24, 2005, our Compensation Committee in recognition of the substantial time and effort to our affairs during the past year by each of Gabriele M. Cerrone, Co-Chairman, L. David Tomei, Co-Chairman and President of SpaXen Italia, srl, our joint venture with the Spallanzani National Institute for Infectious Diseases in Rome, Italy, Samuil Umansky, President and Hovsep Melkonyan, Vice President, Research, accelerated the vesting of outstanding stock options dated June 24, 2004 previously granted to each such officer in the amounts of 1,050,000, 1,012,500, 1,012,500 and 675,000, respectively, so that such options vest as of May 24, 2005.

In addition, the Compensation Committee granted additional nonqualified stock options to Messrs. Cerrone, Tomei, Umansky and Melkonyan in the amounts of 240,000, 255,000, 225,000 and 75,000, respectively, pursuant to the Plan, subject to stockholder approval of an increase in the number of shares of common stock issuable under the Plan, as an additional incentive to perform in the future on behalf of our company and its stockholders. Such options are exercisable at $2.50 per share with 33-1/3% of the options granted to each officer vesting on each of the first three anniversaries of the date of grant.

We completed the acquisition of Xenomics Sub on July 2, 2004 by issuing 2,258,001 shares of our common stock to Xenomics Subs' five shareholders in exchange for all outstanding shares of Xenomics Sub stock (the "Exchange"). The Exchange was made according to the terms of a Securities Exchange Agreement dated May 18, 2004. As part of the Exchange, we:

- amended our articles of incorporation to change our corporate name to "Xenomics, Inc." and to split our stock outstanding prior to the redemption 111 for 1 (effective July 26, 2004).
- redeemed 1,971,734 pre-split shares (the equivalent of 218,862,474 post-split shares) from Panetta Partners Ltd., a principal shareholder at the time, for $500,000 or $0.0023 per share.
- entered into employment agreements with two of the former Xenomics Sub shareholders and a consulting agreement with one of the former Xenomics Sub shareholders.
- entered into a Voting Agreement with certain investors, the former Xenomics Sub shareholders and certain principal shareholders.
- entered into a Technology Acquisition Agreement with the former Xenomics Sub shareholders under which we granted an option to the former Xenomics Sub holders to acquire Xenomics Sub technology if we fail to apply at least 50% of the net proceeds of financing we raise to the development of Xenomics Sub technology during the period ending July 1, 2006 in exchange for all of our shares and share equivalents held by the former Xenomics Sub holders at the time such option is exercised.

We sold 100,000 of the 2,645,210 shares sold in the June 2004 private placement to Christoph Bruening, a director of our company.

On April 12, 2004, the founders of Xenomics Sub consisting of Messrs. Tomei, Umansky and Melkonyan contributed $1,655,028 in deferred compensation to Xenomics Sub stockholders' equity.

Gabriele M. Cerrone, our Co-Chairman, serves as a consultant to us pursuant to an agreement entered into on June 24, 2005. The term of the agreement is for three years with automatic renewal for successive one year periods unless either party gives notice to the other not to renew the agreement. The duties of Mr. Cerrone pursuant to the agreement consist of business development, strategic planning, capital markets and corporate financing consulting advice. Mr. Cerrone's compensation under the agreement is $16,500 per month. Pursuant to the agreement, in July 2005 we paid Mr. Cerrone a $50,000 signing bonus. Mr. Cerrone is eligible each year of the agreement for a cash bonus of up to 15% of his base annual compensation of $198,000. In the event the agreement is terminated without cause or for good reason, Mr. Cerrone will receive a cash payment equal to the aggregate amount of the compensation payments for the then remaining term of the agreement. In addition, in such event, all unvested stock options owned by Mr. Cerrone will immediately vest and the exercise period of such options will be extended to the later of the longest period permitted by our stock option plans or ten years following termination. In the event a change of control of our company occurs, Mr. Cerrone shall be entitled to such compensation upon the subsequent termination of the agreement within two years of the change in control unless such termination is the result of Mr. Cerrone's death, disability or retirement or Mr. Cerrone's termination for cause.

DESCRIPTION OF SECURITIES

The following description of our capital stock and provisions of our articles of incorporation and bylaws, each as amended, is only a summary. You should also refer to the copies of our articles of incorporation and bylaws which are included as exhibits to Form 8-K/A filed with the SEC on July 28, 2004. Our authorized capital stock consists of 100,000,000 shares of common stock, par value $.0001 per share and 20,000,000 shares of preferred stock, par value $.001 per share. As of October 26, 2005, there are 18,604,300 shares of common stock issued and outstanding and 277,100 shares of our preferred stock were outstanding and designated as Series A Convertible Preferred Stock.

Common Stock

Holders of our common stock are entitled to one vote for each share held on all matters submitted to a vote of our stockholders. Holders of our common stock are entitled to receive dividends ratably, if any, as may be declared by the board of directors out of legally available funds, subject to any preferential dividend rights of any outstanding preferred stock. Upon our liquidation, dissolution or winding up, the holders of our common stock are entitled to receive ratably our net assets available after the payment of all debts and other liabilities and subject to the prior rights of any outstanding preferred stock. Holders of our common stock have no preemptive, subscription, redemption or conversion rights. The common stock does not have cumulative voting rights. The rights, preferences and privileges of holders of our common stock are subject to, and may be adversely affected by, the rights of holders of shares of any series of preferred stock which we may designate and issue in the future without further stockholder approval.

Preferred Stock

Our board of directors is authorized without further stockholder approval, to issue from time to time up to a total of 20,000,000 shares of preferred stock in one or more series and to fix or alter the designations, preferences, rights and any qualifications, limitations or restrictions of the shares of each series, including the dividend rights, dividend rates, conversion rights, voting rights, term of redemption, redemption price or prices, liquidation preferences and the number of shares constituting any series or designations of these series without further vote or action by the stockholders. The issuance of preferred stock may have the effect of delaying, deferring or preventing a change in control of our management without further action by the stockholders and may adversely affect the voting and other rights of the holders of common stock. The issuance of preferred stock with voting and conversion rights may adversely affect the voting power of the holders of common stock, including the loss of voting control to others. Currently, we have designated 277,100 shares of preferred stock as Series A Convertible Preferred Stock.

Rights of Our Series A Convertible Preferred Stock

Dividends. Holders of the Series A Convertible Preferred Stock shall be entitled to receive cumulative dividends at the rate per share of 4% per annum, payable quarterly on March 31, June 30, September 30 and December 31, beginning with September 30, 2005. Dividends shall be payable, at our sole election, in cash or shares of common stock.

Voting Rights. Shares of our Series A Convertible Preferred Stock shall have no voting rights. However, so long as any shares of Series A Convertible Preferred Stock are outstanding, we shall not, without the affirmative vote of the holders of the shares of Series A Convertible Preferred Stock then outstanding, (a) adversely change the powers, preferences or rights given to the Series A Convertible Preferred Stock, (b) authorize or create any class of stock senior or equal to the Series A Convertible Preferred Stock, (c) amend our articles of incorporation or other charter documents, so as to affect adversely any rights of the holders of Series A Convertible Preferred Stock or (d) increase the authorized number of shares of Series A Convertible Preferred Stock.

Liquidation. Upon any liquidation, dissolution or winding-up of our company, the holders of the Series A Convertible Preferred Stock shall be entitled to receive an amount equal to the Stated Value per share, which is $10 per share plus any accrued and unpaid dividends.

Conversion Rights. Each share of Series A Convertible Preferred Stock shall be convertible into that number of shares of common stock determined by dividing the Stated Value, currently $10 per share, by the conversion price, currently $2.15 per share. The conversion price is subject to adjustment for dilutive issuances.

Beginning July 13, 2006, if the price of the common stock equals $4.30 per share for 20 consecutive trading days, and an average of 50,000 shares of common stock per day shall have been traded during the 20 trading days, we shall have the right to deliver a notice to the holders of the Series A Convertible Preferred Stock, to convert any portion of the shares of Series A Convertible Preferred Stock into shares of Common Stock at the conversion price.

Subsequent Equity Sales. During the twelve month period beginning on the effective date of the registration statement of which this prospectus is a part of, the conversion price, currently $2.15 per share may be decreased, on a weighted average basis, upon issuances of the common stock or securities convertible into common stock at a purchase price or conversion price less than the Series A Convertible Preferred Stock conversion price then in effect.

Voting Agreement

On June 24, 2004, we entered into a voting agreement with L. David Tomei, Co-Chairman, Samuil Umansky, President, Hovsep Melkonyan, Vice President, Research, Anatoly Lichtenstein and Kathryn Wilkie (collectively, the "Xenomics Shareholders"), Panetta Partners Ltd., an affiliate of Gabriele M. Cerrone, our Co-Chairman, Hawkeye Incubator Ltd., Etruscan Mobilia Investments, Ltd. and Lazio Bioventure Ltd. (collectively, the "Original Shareholders") and Christoph Bruening, a director, Fimi, SPA, Blenton Management, Roffredo Gaetani, Nicola Granato, R. Merrill Hunter, Mike Wilkins and Fossil Ventures LLC (collectively, the "Investors") pursuant to which so long as the Xenomics Shareholders own an aggregate 752,667 shares of common stock of our company, such Xenomics Shareholders shall have the right to (i) designate 1/3 of the members of the Board of Directors if the number of directors on the Board is more than 7, (ii) designate 2 directors if the number of directors on the Board is between 5 and 7 or (iii) designate 1 director if the number of directors on the Board is less than 5. The voting agreement will terminate upon the earlier of (a) the adjudication by a court of competent jurisdiction that our company is bankrupt or insolvent, (b) the filing of a certificate of dissolution by us, (c) upon the written consent of us and a majority of the Xenomics Shareholders, (d) upon the listing of our shares of common stock on Nasdaq or a national securities exchange, or (e) on June 15, 2007.

Listing

Our common stock is listed on the OTC Bulletin Board under the symbol "XNOM.OB."

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is StockTrans, Inc., 44 W. Lancaster Avenue, Ardmore, Pennsylvania 19003.

PLAN OF DISTRIBUTION

The selling stockholders, which as used herein includes donees, pledgees, transferees or other successors-in-interest selling shares of common stock or interests in shares of common stock received after the date of this prospectus from a selling stockholder as a gift, pledge, partnership distribution or other transfer, may, from time to time, sell, transfer or otherwise dispose of any or all of their shares of common stock or interests in shares of common stock on any stock exchange, market or trading facility on which the shares are traded or in private transactions. These dispositions may be at fixed prices, at prevailing market prices at the time of sale, at prices related to the prevailing market price, at varying prices determined at the time of sale, or at negotiated prices.

The selling stockholders may use any one or more of the following methods when disposing of shares or interests therein:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;

- block trades in which the broker-dealer will attempt to sell the shares as agent, but may position and resell a portion of the block as principal to facilitate the transaction;

- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;

- an exchange distribution in accordance with the rules of the applicable exchange;

- privately negotiated transactions;

- short sales;

- through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise;

- broker-dealers may agree with the selling stockholders to sell a specified number of such shares at a stipulated price per share;

- a combination of any such methods of sale; and

- any other method permitted pursuant to applicable law.

The selling stockholders may, from time to time, pledge or grant a security interest in some or all of the shares of common stock owned by them and, if they default in the performance of their secured obligations, the pledgees or secured parties may offer and sell the shares of common stock, from time to time, under this prospectus, or under an amendment to this prospectus under Rule 424(b)(3) or other applicable provision of the Securities Act amending the list of selling stockholders to include the pledgee, transferee or other successors in interest as selling stockholders under this prospectus. The selling stockholders also may transfer the shares of common stock in other circumstances, in which case the transferees, pledgees or other successors in interest will be the selling beneficial owners for purposes of this prospectus.

In connection with the sale of our common stock or interests therein, the selling stockholders may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the common stock in the course of hedging the positions they assume. The selling stockholders may also sell shares of our common stock short and deliver these securities to close out their short positions, or loan or pledge the common stock to broker-dealers that in turn may sell these securities. The selling stockholders may also enter into option or other transactions with broker-dealers or other financial institutions or the creation of one or more derivative securities which require the delivery to such broker-dealer or other financial institution of shares offered by this prospectus, which shares such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction).

The aggregate proceeds to the selling stockholders from the sale of the common stock offered by them will be the purchase price of the common stock less discounts or commissions, if any. Each of the selling stockholders reserves the right to accept and, together with their agents from time to time, to reject, in whole or in part, any proposed purchase of common stock to be made directly or through agents. We will not receive any of the proceeds from this offering. Upon any exercise of the warrants by payment of cash, however, we will receive the exercise price of the warrants.

The selling stockholders also may resell all or a portion of the shares in open market transactions in reliance upon Rule 144 under the Securities Act of 1933, provided that they meet the criteria and conform to the requirements of that rule.

The selling stockholders and any underwriters, broker-dealers or agents that participate in the sale of the common stock or interests therein may be "underwriters" within the meaning of Section 2(11) of the Securities Act. Any discounts, commissions, concessions or profit they earn on any resale of the shares may be underwriting discounts and commissions under the Securities Act. Selling stockholders who are "underwriters" within the meaning of Section 2(11) of the Securities Act will be subject to the prospectus delivery requirements of the Securities Act. If a selling stockholder is deemed to be an underwriter, the selling stockholder may be subject to certain statutory liabilities including, but not limited to Sections 11, 12 and 17 of the Securities Act and Rule 10b-5 under the Exchange Act. Selling stockholders who are deemed underwriters within the meaning of the Securities Act will be subject to the prospectus delivery requirements of the Securities Act. The SEC staff is of a view that selling stockholders who are registered broker-dealers or affiliates of registered broker-dealers may be underwriters under the Securities Act. We will not pay any compensation or give any discounts or commissions to any underwriter in connection with the securities being offered by this prospectus. Because of their affiliation with a broker-dealer, Sunrise Equity Partners, L.P., The Lindsay Rosenwald 2000 Family Trust Family Trust Dated As Of 12/15/2000 and The Lindsay A. Rosenwald 2000 Irrevocable Trust Dated 5/14/2000, each of which are selling stockholders, is deemed to be an underwriter in connection with the offering of its respective shares under this prospectus. Each of Sunrise Equity Partners, L.P., The Lindsay Rosenwald 2000 Family Trust Family Trust Dated As Of 12/15/2000 and The Lindsay A. Rosenwald 2000 Irrevocable Trust Dated 5/14/2000 has represented to us that it purchased its respective shares in the ordinary course of business and at the time of such purchase, had no agreements or understandings to distribute such shares.

To the extent required, the shares of our common stock to be sold, the names of the selling stockholders, the respective purchase prices and public offering prices, the names of any agents, dealer or underwriter, any applicable commissions or discounts with respect to a particular offer will be set forth in an accompanying prospectus supplement or, if appropriate, a post-effective amendment to the registration statement that includes this prospectus.

In order to comply with the securities laws of some states, if applicable, the common stock may be sold in these jurisdictions only through registered or licensed brokers or dealers. In addition, in some states the common stock may not be sold unless it has been registered or qualified for sale or an exemption from registration or qualification requirements is available and is complied with.

We have advised the selling stockholders that the anti-manipulation rules of Regulation M under the Exchange Act may apply to sales of shares in the market and to the activities of the selling stockholders and their affiliates. In addition, we will make copies of this prospectus (as it may be supplemented or amended from time to time) available to the selling stockholders for the purpose of satisfying the prospectus delivery requirements of the Securities Act. The selling stockholders may indemnify any broker-dealer that participates in transactions involving the sale of the shares against certain liabilities, including liabilities arising under the Securities Act.

We have agreed to indemnify the selling stockholders against liabilities, including liabilities under the Securities Act and state securities laws, relating to the registration of the shares offered by this prospectus.

We have agreed with the selling stockholders to keep the registration statement of which this prospectus constitutes a part effective until the earlier (i) the date that is two (2) years after the last day of the calendar month following the month in which the effective date of the registration statement occurs, (ii) the date when the selling stockholder may sell all securities registered under the registration statement under Rule 144 without volume or other restrictions or limits or (iii) the date the selling stockholders no longer own any of the securities registered under the registration statement.

LEGAL MATTERS

The validity of the common stock has been passed upon by Sichenzia Ross Friedman Ference LLP, New York, New York. Sichenzia Ross Friedman Ference LLP owns 5,000 shares of our common stock.

EXPERTS

The financial statements included in the Prospectus have been audited by Lazar Levine & Felix LLP, an independent registered public accounting firm, to the extent and for the periods set forth in their report appearing elsewhere herein and are included in reliance upon such report given upon the authority of said firm as experts in auditing and accounting.

WHERE YOU CAN FIND MORE INFORMATION

We filed with the SEC a registration statement on Form SB-2 under the Securities Act for the common stock to be sold in this offering. This prospectus does not contain all of the information in the registration statement and the exhibits and schedules that were filed with the registration statement. For further information with respect to the common stock and us, we refer you to the registration statement and the exhibits and schedules that were filed with the registration statement. Statements made in this prospectus regarding the contents of any contract, agreement or other document that is filed as an exhibit to the registration statement are not necessarily complete, and we refer you to the full text of the contract or other document filed as an exhibit to the registration statement. A copy of the registration statement and the exhibits and schedules that were filed with the registration statement may be inspected without charge at the public reference facilities maintained by the SEC, 100 F Street, NE, Washington, DC 20549. Copies of all or any part of the registration statement may be obtained from the SEC upon payment of the prescribed fee. Information regarding the operation of the public reference rooms may be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains a web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. The address of the site is http://www.sec.gov.

DISCLOSURE OF COMMISSION POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITIES

Our Articles of Incorporation provide that, to the fullest extent permitted by law, none of our directors or officers shall be personally liable to us or our shareholders for damages for breach of any duty owed to our shareholders or us.

In addition, we have the power, by our by-laws or in any resolution of our stockholders or directors, to undertake to indemnify the officers and directors of ours against any contingency or peril as may be determined to be in our best interest and in conjunction therewith, to procure, at our expense, policies of insurance. At this time, no statute or provision of the by-laws, any contract or other arrangement provides for insurance or indemnification of any of our controlling persons, directors or officers that would affect his or her liability in that capacity.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "Act") may be permitted to directors, officers and controlling persons of the small business issuer pursuant to the foregoing provisions, or otherwise, the small business issuer has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities, other than the payment by us of expenses incurred or paid by our directors, officers or controlling persons in the successful defense of any action, suit or proceedings, is asserted by such director, officer, or controlling person in connection with any securities being registered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to court of appropriate jurisdiction the question whether such indemnification by us is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issues.

XENOMICS, INC.
(A Development Stage Company)

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Xenomics, Inc.
New York, New York

We have audited the accompanying consolidated balance sheet of Xenomics, Inc. and Subsidiary (a development stage company) (the "Company") as of January 31, 2005, the related consolidated statements of operations, stockholders' equity and cash flows for the period from inception (August 4, 1999) to January 31, 2005 and the years ended January 31, 2005 and 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Xenomics, Inc. and Subsidiary as of January 31, 2005, and the results of their operations and their cash flows for the period from inception (August 4, 1999) to January 31, 2005 and the years ended January 31, 2005 and 2004, in conformity with accounting principles generally accepted in the United States.

/s/ Lazar Levine & Felix LLP

Lazar Levine & Felix LLP

New York, New York
September 19, 2005

XENOMICS, INC.
(A Development Stage Company)

CONSOLIDATED BALANCE SHEET

AS OF JANUARY 31, 2005

ASSETS

Current Assets:		
Cash and cash equivalents	$	3,226,965
Prepaid expenses		35,360
TOTAL CURRENT ASSETS		3,262,325
Property and equipment, net		77,495
Security deposits		58,173
	$	3,397,993

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:		
Accounts payable	$	95,063
Accrued expenses		111,995
TOTAL CURRENT LIABILITIES		207,058
Stockholders' equity:		
Preferred stock, $.001 par value, 20,000,000 shares authorized, none outstanding		—
Common stock, $.0001 par value, authorized 100,000,000 shares, 17,306,891 issued at January 31, 2005		1,731
Treasury stock 350,000 common shares, at par		(35)
Additional paid-in-capital		7,021,223
Deferred unamortized stock-based compensation		(772,387)
Deficit accumulated during the development stage		(3,059,597)
		3,190,935
	$	3,397,993

See accompanying notes

XENOMICS, INC.
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF OPERATIONS

	For the years ended January 31,		For the Period from August 4, 1999 (inception) to January 31,
	2005	**2004**	**2005**
Revenues	$ —	$ —	$ —
Costs and Expenses:			
Research and development	619,635	383,564	2,290,327
General and administrative	651,695	13,483	666,242
Stock-based compensation - general and administrative	123,063	—	123,063
	1,394,393	397,047	3,079,632
Loss from operations	(1,394,393)	(397,047)	(3,079,632)
Interest and other income	6,009	14,026	20,035
Net loss	$ (1,388,384)	$ (383,021)	$ (3,059,597)
Weighted average shares outstanding:			
Basic and diluted	14,580,166	13,166,502	11,988,509
Net loss per common share:			
Basic and diluted	$ (0.10)	$ (0.03)	$ (0.26)

See accompanying notes

XENOMICS, INC.
(A Development Stage Company)

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock		Treasury	Additional	Deferred Unamortized Stock-based	Deficit Accumulated During Development	Total Stockholders'
	Shares	Par Value	Shares	Paid in Capital	Compensation	Stage	Equity
Balance August 4, 1999 (Inception)	—	$ —	$ —	$ —	$ —	$ —	$ —
Sale of common stock - founders	222,000,000	$ 22,200	—	$ 19,800	—	—	$ 42,000
Net loss for the period ended January 31, 2000	—	—	—	—	—	(14,760)	(14,760)
Balance, January 31, 2000	222,000,000	$ 22,200	$ 0	$ 19,800	$ 0	($14,760)	$ 27,240
Net loss for the period ended January 31, 2001	—	—	—	—	—	(267,599)	(267,599)
Balance, January 31, 2001	222,000,000	$ 22,200	$ 0	$ 19,800	$ 0	($282,359)	($240,359)
Capital contribution cash				45,188			45,188
Net loss for the period ended January 31, 2002	—	—	—	—	—	(524,224)	(524,224)
Balance, January 31, 2002	222,000,000	$ 22,200	$ 0	$ 64,988	$ 0	($806,583)	($719,395)
Sale of common stock	7,548,000	755		2,645			3,400
Capital contribution cash				2,500			2,500
Net loss for the period ended January 31, 2003	—	—	—	—	—	(481,609)	(481,609)
Balance, January 31, 2003	229,548,000	$ 22,955	$ 0	$ 70,133	$ 0	($1,288,192)	($1,195,104)
Net loss for the period ended January 31, 2004	—	—	—	—	—	(383,021)	(383,021)
Balance, January 31, 2004	229,548,000	$ 22,955	$ 0	$ 70,133	$ 0	($1,671,213)	($1,578,125)

See accompanying notes

XENOMICS, INC.
(A Development Stage Company)

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (Continued)

	Common Stock		Treasury	Additional	Deferred Unamortized Stock-based	Deficit Accumulated During Development	Total Stockholders'
	Shares	Par Value	Shares	Paid in Capital	Compensation	Stage	Equity
Balance, January 31, 2004	229,548,000	$ 22,955	$ 0	$ 70,133	$ 0	($1,671,213)	($1,578,125)
Founders waive deferred compensation				1,655,029			1,655,029
Private Placement common stock	2,645,210	265		2,512,685			2,512,950
Redeemed shares from Panetta Partners, Ltd	(218,862,474)	(21,886)		(478,114)			(500,000)
Cost associated with recapitalization				(301,498)			(301,498)
Share exchange with Xenomics Founders	2,258,001	226		(226)			0
Issuance of treasury shares to escrow	350,000	35	(35)				0
Private Placement common stock	1,368,154	136		2,667,764			2,667,900
Issuance of warrants to finders				157,062			157,062
Finders warrants charged cost of capital				(157,062)			(157,062)
Deferred stock based compensation				895,450	(895,450)		0
Amortization of deferred stock based compensation					123,063		123,063
Net loss for the year ended January 31, 2005	—	—	—	—	—	(1,388,384)	(1,388,384)
Balance, January 31, 2005	17,306,891	$ 1,731	($35)	$ 7,021,223	($772,387)	($3,059,597)	$ 3,190,935

See accompanying notes

XENOMICS, INC.
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For The Years ended January 31,		For the Period from August 4, 1999 (inception) to January 31,
	2005	**2004**	**2005**
Cash flows from operating activities:			
Net loss	$ (1,388,384)	$ (383,021)	$ (3,059,597)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	9,067	—	9,067
Founders' deferred compensation contributed to stockholder's equity	74,404	382,500	1,655,029
Stock-based compensation expense	123,063	—	123,063
Changes in operating assets and liabilities:			
Prepaid expenses	(35,360)	—	(35,360)
Security deposit	(58,173)	—	(58,173)
Accounts payable and accrued expenses	207,058	—	207,058
Patent Costs	2,161	365	—
Total Adjustments	322,220	382,865	1,900,684
Net cash used in operating activities	(1,066,164)	(156)	(1,158,913)
Cash flows from investing activities:			
Acquisition of equipment	(86,562)	—	(86,562)
Net cash used in investing activities	(86,562)	—	(86,562)
Cash flows from financing activities:			
Proceeds from issuance of common stock - net	5,180,850	—	5,273,938
Redeemed shares from Panetta Partners, Ltd.	(500,000)	—	(500,000)
Costs associated with recapitalization	(301,498)	—	(301,498)
Net cash provided by financing activities	4,379,352	—	4,472,440
Net increase(decrease) in cash and cash equivalents	3,226,626	(156)	3,226,965
Cash and cash equivalents at beginning of period	339	495	—
Cash and cash equivalents at end of period	$ 3,226,965	$ 339	$ 3,226,965
Supplemental disclosure of cashflow information:			
Cash paid for taxes	$ —	$ —	$ —
Cash paid for interest	$ —	$ —	$ —

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS OVERVIEW:

On July 2, 2004, Xenomics, Inc., formerly Used Kar Parts, Inc. acquired all of the outstanding common stock of Xenomics Sub, a then un-affiliated California corporation, by issuing 2,258,001 shares of Used Kar Parts, Inc. common stock to Xenomics Sub's five shareholders (the "Exchange"). The Exchange was made according to the terms of a Securities Exchange Agreement dated May 18, 2004. For accounting purposes, the acquisition has been treated as an acquisition of Used Kar Parts, Inc. by Xenomics Sub and as a recapitalization of Xenomics Sub. Accordingly, the historical financial statements prior to July 2, 2004 are those of Xenomics Sub. In connection with the Exchange, Used Kar Parts, Inc.:

- Redeemed 1,971,734 shares (218,862,474 shares post-split shares) from Panetta Partners Ltd., a principal shareholder, for $500,000 or $0.0023 per share.
- Amended its articles of incorporation to change its corporate name to "Xenomics, Inc." and to split its stock outstanding 111 for 1 (effective July 26, 2004), immediately following the redemption.
- Entered into employment agreements with two of the former Xenomics Sub shareholders and a consulting agreement with one of the former Xenomics Sub shareholders.
- Entered into a Voting Agreement with certain investors, the former Xenomics Sub shareholders and certain principal shareholders.
- Entered into a Technology Acquisition Agreement with the former Xenomics Sub shareholders under which Xenomics granted an option to the former Xenomics Sub holders to re-purchase Xenomics Sub technology if Xenomics fails to apply at least 50% of the net proceeds of financing it raises to the development of Xenomics Sub technology during the period ending July 1, 2006 in exchange for all Xenomics shares and share equivalents held by the former Xenomics Sub holders at the time such option is exercised.
- Issued and transferred 350,000 shares of common stock to be held in escrow, in the name of the Company, to cover any undisclosed liabilities of Xenomics Sub. Such shares as being treated as treasury shares. The escrow period is for one year to July 2, 2005 at which time a determination of liability will be made.

The combined entities (Xenomics, Inc. and Xenomics Sub, referred to as "Xenomics" or "the Company"), are considered to be in the development stage. Since inception August 4, 1999 the Company's efforts have been principally devoted to research and development, securing and protecting our patents and raising capital. From inception through January 31, 2005, Xenomics has sustained cumulative net losses of $3,059,597. Xenomics's losses have resulted primarily from expenditures incurred in connection with research and development activities, application and filing for regulatory approval of our proposed products, patent filing and maintenance expenses, purchase of in-process research and development, outside accounting and legal services and regulatory, scientific and financial consulting fees. From inception through January 31, 2005, Xenomics has not generated any revenue from operations, expects to incur additional losses to perform further research and development activities and does not currently have any commercial molecular diagnostic products approved by the Food and Drug Administration, and does not expect to have such for several years, if at all.

Xenomics's product development efforts are thus in their early stages and Xenomics cannot make estimates of the costs or the time it will take to complete. The risk of completion of any program is high because of the many uncertainties involved in bringing new drugs to market including the long duration of clinical testing, the specific performance of proposed products under stringent clinical testing protocols, the extended regulatory approval and review cycles, the nature and timing of costs and competing technologies being developed by organizations with significantly greater resources.

2. BASIS OF PRESENTATION:

The accompanying consolidated financial statements of Xenomics, which include the results of Xenomics, Inc. a Florida corporation and its wholly owned subsidiary Xenomics, a California corporation ("Xenomics Sub"), have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). All significant intercompany balances and transactions have been eliminated in consolidation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BUSINESS COMBINATIONS - Xenomics has applied Financial Accounting Standards Board Statement of Financial Accounting Standard ("SFAS") No. 141 "Business Combinations" to the Exchange concluded on July 2, 2004. SFAS No. 141 addresses financial accounting and reporting for business combinations and supersedes APB Opinion No. 16, "Business Combinations" in its entirety. All business combinations in the scope of this Statement are now to be accounted for using only one method, the purchase method. The accompanying consolidated financial statements have been prepared in accordance with SFAS No. 141 and the Company has determined that the acquiring entity, for accounting purposes, was Xenomics Sub.

Thus, while Xenomics, Inc. is the parent, legal acquirer and registrant, the results of operations of Xenomics, Inc. are included in the consolidated statement of operations only since July 2, 2004 and the date of "inception" for accounting and reporting purposes is August 4, 1999, the date of incorporation of Xenomics Sub.

USE OF ESTIMATES - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH EQUIVALENTS - Cash and cash equivalents consist of short term, highly liquid investments, with original maturities of less than three months when purchased and are stated at cost.

FAIR VALUE OF FINANCIAL INSTRUMENTS - Xenomics's financial instruments consist of cash and accounts payable. These financial instruments are stated at their respective carrying values which are equivalent to fair value due to their short term nature.

BUSINESS CONCENTRATIONS AND CREDIT RISKS - All of Xenomics's cash and cash equivalents as of January 31, 2005 are on deposit with a major money center financial institution. Deposits at any point in time may exceed federally insured limits.

PROPERTY AND EQUIPMENT - Fixed assets are recorded at cost. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets as follows: furniture and fixtures - 3 years, lab equipment - 5 years.

IMPAIRMENT OF LONG LIVED ASSETS - In accordance with Financial Accounting Standards Board Statement of Financial Accounting Standard (“SFAS”) No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets”, Xenomics evaluates long-lived assets, such as property and equipment and intangible assets subject to amortization for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge would be recognized as the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the consolidated balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and would no longer be depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the consolidated balance sheet.

RESEARCH AND DEVELOPMENT - Xenomics does not currently have any commercial molecular diagnostic products, and does not expect to have such for several years, if at all. In accordance with Financial Accounting Standards Board Statement of Financial Accounting Standard (“SFAS”) No. 2, “Accounting for Research and Development Costs” all research and development costs are expensed as incurred. These include expenditures in connection with an in-house research and development laboratory, salaries and staff costs, application and filing for regulatory approval of our proposed products, patent legal, filing and maintenance expenses and regulatory and scientific consulting fees to outside suppliers.

INCOME TAXES - Income taxes are accounted for under the asset and liability method prescribed by Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Deferred income taxes are recorded for temporary differences between financial statement carrying amounts and the tax basis of assets and liabilities. Deferred tax assets and liabilities reflect the tax rates expected to be in effect for the years in which the differences are expected to reverse. A valuation allowance is provided if it is more likely than not that some or the entire deferred tax asset will not be realized.

NET LOSS PER SHARE - Basic and diluted net loss per share is presented in conformity with SFAS No. 128, "Earnings per Share," for all periods presented. In accordance with SFAS No. 128, basic and diluted net loss per common share was determined by dividing net loss applicable to common stockholders by the weighted-average common shares outstanding during the period. Diluted weighted-average shares are the same as basic weighted-average shares since the inclusion of issuable shares pursuant to the exercise of stock options and warrants, would have been antidilutive. As of January 31, 2005 Xenomics had 5,445,000 stock options outstanding, whereas none were outstanding as of January 31, 2004. In addition Xenomics had 1,511,342 common stock warrants outstanding which were 100% vested as of January 31, 2005 and none outstanding as of January 31, 2004. All share and per share amounts have been restated to reflect the 111 for 1 stock split which was effected July 26, 2004 as discussed in Note 1.

ACCOUNTING FOR STOCK BASED COMPENSATION - Xenomics has adopted Statement of Financial Accounting Standard ("SFAS") No. 123, "Accounting for Stock-Based Compensation." As provided for by SFAS 123, Xenomics has also elected to continue to account for its stock-based compensation programs according to the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees ("APB 25")." Accordingly no compensation expense has been recognized to the extent of employee or director services rendered based on the intrinsic value of stock options granted under the plans during the years ended January 31, 2005 and 2004

In December 2002, the Financial Accounting Standards Board issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure, an amendment of FASB Statement No. 123," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual (see below) and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results.

Had compensation cost for stock options granted to employees and directors been determined based upon the fair value at the grant date for awards, consistent with the methodology prescribed under SFAS 123, Xenomics's net loss would have been as follows:

	Years Ended January 31,	
	2005	**2004**
Net loss, as reported	$ (1,388,394)	$ (383,021)
Add: Stock-based employee compensation expense recorded under APB No. 25 intrinsic value method	—	—
Deduct: Stock-based employee compensation expense determined under fair value based method for all employee awards	(127,689)	—
Pro forma net loss	$ (1,516,083)	$ (383,021)
Net loss per share:		
Basic and diluted -as reported	$ (0.10)	$ (0.03)
Basic and diluted -pro forma	$ (0.10)	$ (0.03)
Range of fair value per share for options granted to employees	$0.02 to $0.59	N/A
Black-Scholes Methodology Assumptions:		
Dividend yield	0%	0%
Risk free interest rate	4.25%	N/A
Expected lives of options	7 years	N/A

Volatility of 0% was used until Xenomics's common stock began to trade publicly on July 2, 2004. Since July 5, 2004 through January 31, 2005 Xenomics has used 80% volatility to determine fair value of options granted to employees.

RECENT ACCOUNTING PRONOUNCEMENTS AFFECTING THE COMPANY - In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard ("SFAS") No. 123 (Revised 2004), "Share-Based Payment." SFAS No 123R is a revision of SFAS No. 123, "Accounting for Stock-Based Compensation" and supersedes Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees" and its related implementation guidance. SFAS No. 123R focuses primarily on accounting for transactions in which an entity obtains employee services through share-based payment transactions. SFAS No 123R requires a public entity to measure the cost of employee services received in exchange for the award of equity instruments based on the fair value of the award at the date of grant. The cost will be recognized over the period during which an employee is required to provide services in exchange for the award. SFAS No. 123R is effective as of the beginning of the first interim or annual reporting period that begins after December 15, 2005. While Xenomics cannot precisely determine the impact on net loss as a result of the adoption of SFAS No 123R, estimated compensation expense related to prior periods can be found above in this footnote.

4. PROPERTY AND EQUIPMENT:

Fixed assets consist of laboratory, testing and computer equipment and fixtures stated at cost. Depreciation expense for the years ended January 31, 2005 and for the period August 4, 1999 (inception) to January 31, 2005 was $9,067 and $0, respectively. As of January 31, 2005, property and equipment consisted of the following:

Furniture and fixtures	$ 6,158
Laboratory equipment	80,404
	86,562
Less - accumulated depreciation	(9,067)
Property and equipment, net	$ 77,495

5. STOCKHOLDERS' EQUITY:

All share and per share amounts have been restated to reflect the 111 for 1 stock split which was effected July 26, 2004 as discussed in Note 1.

On July 2, 2004 we completed a private placement of 2,645,210 shares of our common stock for aggregate proceeds of $2,512,950, or $0.95 per share. The sale was made to 17 accredited investors directly by us without any general solicitation or broker and thus no finder's fees were paid. We filed a Form D with the Securities and Exchange Commission ("SEC") and the offering is claimed to be exempt from registration pursuant to Rule 506 of Regulation D under the Securities Act of 1933, as amended.

Pursuant to the Agreement with Trilogy (see note 9) Xenomics issued warrants to Trilogy to purchase 1,000,000 shares of Common Stock of Xenomics at an exercise price of $2.95 per share (the “Warrants”). The exercise price was determined to be consistent with the price of the warrants being offered to purchasers as part of an investment unit in the then operative private placement memorandum. The Warrants issued to Trilogy are exercisable upon issuance and expire on December 13, 2007. Xenomics has agreed to file a registration statement with the Securities and Exchange Commission registering for resale the shares of Common Stock underlying the Warrants. The fair value of the Warrants using the Black-Scholes methodology is $862,656 which was recorded as deferred stock-based compensation expense to be amortized over the term of the Agreement. The following assumptions were used to determine fair value: (i) stock price $1.95 per share (ii) no dividend (iii) risk free interest rate 4.5% (iv) volatility of 80%. During the year ended January 31, 2005 stock based compensation expense associated with these warrants totaled $114,865.

On January 28, 2005, the Company closed the first traunche of a private placement selling 1,368,154 shares of common stock and 367,681 warrants to certain investors (the "Investors"). The securities were sold as a unit (the "Units") at a price of $1.95 per Unit for aggregate proceeds of $2,667,900. Each Unit consisted of one share of common stock and a warrant to purchase one quarter share of common stock. The warrants are immediately exercisable at $2.95 per share and are exercisable at any time within five years from the date of issuance. The Company issued an aggregate 123,659 warrants to purchase common stock to various selling agents, which are immediately exercisable at $2.15 per share and will expire five years after issuance. The warrants had a fair value of $157,062 on the date of issuance and this amount was recorded as a cost of raising capital.

On February 5, 2005 the Company completed the first traunche of the private placement described above selling an additional 102,564 shares of its common stock to the Investors at a price of $1.95 per share for aggregate proceeds of $200,000. In addition, the Company paid an aggregate $179,600 in cash and issued 24,461 shares of common stock to certain selling agents, in lieu of cash, which had a fair value of $47,699 capitalized at $1.95 per share.

In connection with the offer and sale of securities to the Investors the Company also entered into a Registration Rights Agreement, dated as of January 28, 2005 (the "Registration Rights Agreement"), with the Investors pursuant to which the Company has agreed to file, within 120 days after the closing, a registration statement covering the resale of the shares of common stock sold to the Investors and the shares of common stock issuable upon exercise of the Warrants issued to the Investors. In the event a registration statement covering such shares of Common Stock is not filed with the SEC by the 120th day after the final closing of the Offering, the Company shall pay to the investors, at the Company's option in cash or common stock, an amount equal to 0.1125% of the gross proceeds raised in the Offering for each 30 day period that the registration statement is not filed with the SEC.

On April 7, 2005, subsequent to the balance sheet date, the Company closed the second and final traunche of the private placement of 1,515,384 shares of common stock and 378,846 warrants to certain additional Investors. The securities were sold as a unit (the "Units") at a price of $1.95 per Unit for aggregate proceeds of $2,954,999. Each Unit consisted of one share of common stock and a warrant to purchase one quarter share of common stock. The warrants are immediately exercisable at $2.95 per share and are exercisable at any time within five years from the date of issuance. The Company paid an aggregate $298,000 and issued an aggregate 121,231 warrants to purchase common stock to Axiom Capital Management who acted as the selling agent. The warrants are immediately exercisable at $2.15 per share, will expire five years after issuance. The warrants had a fair value of $222,188 on the date of issuance and this amount was recorded as a cost of raising capital. These April 7, 2005 Investors became parties to the same Registration Rights Agreement as the January 28, 2005 Investors

6. STOCK OPTION PLAN:

In June 2004 we adopted the Xenomics Stock Option Plan, as amended (the "Plan"). The Plan authorizes the grant of stock options to directors, eligible employees, including executive officers and consultants. Generally, vesting for options granted under the Plan is determined at the time of grant, and options expire after a 10-year period. Options are granted at an exercise price not less than the fair market value at the date of grant.

A total of 5,000,000 shares have been reserved for issuance under the Plan. As of January 31, 2005, options for 5,445,000 shares were outstanding under the Plan. 445,000 of such options have been granted subject to stockholder approval of an increase in the number of shares that can be granted under the plan. With respect to the options granted subject to stockholder approval a measurement date has not occurred and no compensation expense has been recorded. When such measurement date does occur, compensation expense will be recorded for any excess of the fair market value on that date over the exercise price. The options granted under the Plan may be either "incentive stock options" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended or non-qualified stock options at the discretion of the Board of Directors.

The following represent options outstanding for the years since August 4, 1999 (inception) through January 31, 2005.

	Number of Shares	Exercise Price Per Share	Weighted Average Exercise Price
Balance, August 4, 1999 (inception)			
To January 31, 2004	0		$0.00
Activity for the year ended January 31, 2005:			
Add: new grants	5,445,000	$1.25 - $2.50	$1.56
Less: cancellations and forfeitures	0		
Less: exercises	0		
Balance, January 31, 2005	5,445,000	$1.25 - $2.50	$1.56

Options are exercisable as follows at January 31, 2005:

	Options Outstanding			Options Exercisable	
Exercise Price	Number of Shares	Weighted Average Remaining Life	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
$1.25	3,825,000	9.5 years	$1.25	75,000	$1.25
$2.25 - $2.50	1,620,000	9.5 years	$2.28	0	—
All Options	5,445,000	9.5 years	$1.56	75,000	$1.25

7. INCOME TAXES:

At January 31, 2005, Xenomics had available Federal net operating tax loss carry forwards of approximately $1,000,000 expiring through 2024 to offset future taxable income. The net deferred tax asset has been fully offset by a valuation allowance due to uncertainties regarding realization of benefits from these future tax deductions. As a result of the change in control provisions of Internal Revenue Code Section 382, a significant portion of these net operating loss carry forwards may be subject to limitation on future utilization.

8. SPAXEN JOINT VENTURE

In March, 2004, Xenomics organized a joint venture with the Spallanzani National Institute for Infectious Diseases (Instituto Nazionale per le Malattie Infettive, "INMI") in Rome, Italy, in the form of a new R&D company called SpaXen Italia, S.R.L ("SpaXen"). In laboratories provided to SpaXen within INMI, SpaXen scientists work to apply the Tr-DNA technology to a broad variety of infectious diseases. Shares of SpaXen are held 50% by INMI and 50% by Xenomics. SpaXen's deed of incorporation (Costituzione Di Societa) dated March 11, 2004 provides, among other terms, the following:

- Corporate capital: 200,000 Euros, of which INMI contributed 100,000 Euros in cash and Xenomics contributed 100,000 Euros in the form of intellectual property, as further described below;
- Corporate Term: Until December 31, 2009, unless extended or wound up prior to that date;
- Shareholder Vote: All shareholder resolutions require a 2/3 super-majority except for certain resolutions regarding amendments to the deed of incorporation, change of corporate purpose, and significant changes in shareholder rights, among others, which require unanimous vote by the shareholders;
- Directors and Officers: SpaXen will be managed by a sole managing director or by a board of directors; currently, SpaXen is being managed by a board of directors consisting of three directors, the chairman of which is David L. Tomei, who is also Xenomics' chairman of the board; in addition, SpaXen has appointed a supervisory board (also referred to as "Board of Auditors" in SpaXen's deed of incorporation) consisting of three auditors and two deputies;
- Dissolution: The shareholders of SpaXen may unanimously vote to dissolve SpaXen prior to the end of the Corporate Term.
- In conjunction with the formation of SpaXen, Xenomics and INMI have entered into a certain Shareholder Agreement, which provides, among other terms, the following
- As its contribution to SpaXen, Xenomics agreed to assign to SpaXen all rights and patent applications to that portion of the Tr-DNA technology that applies Tr-DNA technology to the field of infectious diseases (the "Contributed IP");
- All profits of SpaXen will be reinvested into research and development of intellectual property applying Tr-DNA technology to pathologies caused by or associated with infectious agents (the "Newly Developed IP");
- INMI will be the sole owner of all Newly Developed IP;
- SpaXen will be the sole owner of all intellectual property derived from SpaXen's research that may be applied in fields other than pathologies caused by or associated with infectious agents (the "Derivative IP");
- Xenomics will have royalty-free, perpetual, exclusive, worldwide commercialization rights for Derivative IP;
- Xenomics will have exclusive worldwide commercialization rights for Newly Developed IP in consideration for a license fee payment of not more than 10% of net proceeds of all products utilizing Newly Developed IP;
- The initial term of commercialization rights for Newly Developed IP is 5 years (commencing April 7, 2004), with the possibility of a 5 year extension;
- In the event that a patent issues based on Newly Developed IP during the term of commercialization rights for Newly Developed IP, the commercialization rights for Newly Developed IP will be extended for the duration of such patent; and
- Upon dissolution of SpaXen, Xenomics' commercialization rights for Newly Developed IP will terminate, the Newly Developed IP becomes the property of INMI, the Contributed IP will revert back to Xenomics and all capital surplus will be paid to INMI;

The Shareholder Agreement stipulates SpaXen and we will enter into a Collaborative Research and License Agreement, which will further define our respective obligations and rights with respect to the above matters. We plan to begin negotiations shortly.

The Company accounted for its interest in SpaXen in accordance with Financial Accounting Standards Board Interpretation No. 46 (revised December 2003) "Consolidation of Variable Interest Entities—an interpretation of ARB No. 51" ("FIN 46R"). Accordingly, the Company's interest in SpaXen was not consolidated because (i) INMI, not the Company, is the primary beneficiary and any surplus, Newly Developed IP and patents thereon, upon liquidation, are the exclusive property of INMI; (ii) SpaXen is managed by a 3 person Board of Directors to which the Company can only appoint one representative, Dr. L. David Tomei, which gives the Company a certain measure of oversight but not effective control.

SpaXen also met several exceptions to the scope of FIN46R. First**,** SpaXen is a not-for-profit entity specifically chartered to only do research and development. Xenomics has exclusive commercialization rights should a viable product be developed which is not assured. Second, INMI, the Company's 50% partner, is an Italian governmental health organization.

9. COMMITMENTS AND CONTINGENCIES:

LICENSE AGREEMENTS:

On May 18, 2004, Xenomics entered into a Technology Acquisition Agreement with the former Xenomics Sub shareholders under which Xenomics granted an option to the former Xenomics Sub holders to re-purchase Xenomics Sub technology if Xenomics fails to apply at least 50% of the net proceeds of financing it raises to the development of Xenomics Sub technology during the period ending July 1, 2006. The repurchase would constitute an exchange for all Xenomics shares and share equivalents held by the former Xenomics Sub holders at the time such option is exercised

EMPLOYMENT AND CONSULTING AGREEMENTS:

On February 14, 2005, subsequent to the balance sheet date, we entered into an employment agreement with Bernard Denoyer, pursuant to which Mr. Denoyer will serve as Vice President-Controller for a period of 1 year commencing February 14, 2005. The agreement is automatically renewed for successive 1 year periods until written notice not to renew is delivered by either us or Mr. Denoyer. Mr. Denoyer's salary is $60,000 per year. In connection with the employment agreement, Mr. Denoyer received a grant of 75,000 incentive stock options pursuant to Xenomics's stock option plan with an exercise price of $2.50 per share. Such options will vest at the rate of 25,000 per year for a period of three years beginning on January 14, 2006.

On December 13, 2004 Xenomics entered into a letter of engagement (the "Agreement") with Trilogy Capital Partners, Inc. ("Trilogy"). The term of the Agreement is for twelve months and terminable thereafter by either party upon 30 days' prior written notice. Pursuant to the Agreement, Trilogy will provide marketing, financial public relations services and assume the responsibilities of an investor relations officer. Xenomics will pay Trilogy $10,000 per month under the Agreement.

On September 3, 2004, Dr. Randy White and Xenomics entered into a letter agreement. Pursuant to the letter agreement, Xenomics will employ Dr. White as Chief Executive Officer for a period of 3 years commencing September 13, 2004. Dr. White will be paid an annual base salary of $215,000. We have agreed to rent for Dr. White's benefit a studio apartment in New York, New York. Dr. White was granted an aggregate 1,425,000 incentive stock options pursuant to Xenomics's Plan with an exercise price of $2.25 per share. 300,000 of such options shall vest on the first anniversary of the date of the Letter Agreement, 350,000 of such options shall vest on the second anniversary of the date of the letter agreement and 400,000 of such options shall vest on the third anniversary of the date of the letter agreement (the "Sale Options"). The remaining 375,000 options shall vest in the event there is a sale of Xenomics for consideration equal to $15.00 per share or more. In the event there is a sale of Xenomics for consideration exceeding $9.25 per share, Dr. White shall be entitled to a cash bonus of $500,000 and all of his unvested Sale Options shall immediately vest. In the event there is a sale of Xenomics for consideration equal to $15.00 per share or more, Dr. White shall be entitled to a cash bonus of $750,000. In addition, at any time during the term of his employment, in the event the stock price of the common stock of Xenomics exceeds $9.25 per share for 60 consecutive trading days, all of Dr. White's unvested Sale Options shall immediately vest.

On July 2, 2004, we entered into an employment agreement with Samuil Umansky, Ph.D., pursuant to which Dr. Umansky serves as Xenomics's President and Chief Scientific Officer. Dr. Umansky's employment agreement is for a term of 36 months beginning June 24, 2004 and is automatically renewable for successive one year periods at the end of the term. Dr. Umansky's salary is $175,000 per year and he is eligible to receive a cash bonus of up to 50% of his salary per year upon the achievement of certain milestones. In connection with the employment agreement, Dr. Umansky received a grant of 1,012,500 stock options which vest in annual installments of 253,125, 303,750 and 455,625 and are exercisable at $1.25 per share.

On July 2, 2004, we entered into an employment agreement with Hovsep Melkonyan, Ph.D., pursuant to which Dr. Melkonyan serves as Vice President, Research for a term of 36 months beginning June 24, 2004, which is automatically renewable for successive one year periods at the end of the term. Dr. Melkonyan's salary is $135,000 per year and he is eligible to receive a cash bonus of up to 50% of his salary per year upon the achievement of certain milestones. In connection with the employment agreement, Dr. Melkonyan received a grant of 675,000 stock options which vest in annual installments of 168,750, 202,500 and 303,750 and are exercisable at $1.25 per share.

On July 2, 2004, we entered into a consulting agreement with L. David Tomei, Ph.D., pursuant to which Dr. Tomei agreed to serve as Co-Chairman of Xenomics's Board. Dr. Tomei's consulting agreement is for a term of 36 months beginning June 24, 2004 and is automatically renewable for successive one year periods at the end of the term. Dr. Tomei's annual consulting fee is $175,000 per year and he is eligible to receive cash bonuses of up to 50% of his salary per year, or $87,500, upon the achievement of certain milestones. Dr. Tomei received a grant of 1,012,500 stock options which vest in annual installments of 253,125, 303,750 and 455,625 and is exercisable at $1.25 per share.

LEASE AGREEMENTS:

On September 15, 2004, Xenomics entered into a seven year lease for its corporate headquarters in New York City with an approximate rent of $75,000 annually through September 30, 2011. On September 1, 2004, Xenomics entered a two year lease for laboratory space in New Jersey, with an approximate rent of $90,000 annually through August 31, 2006. During the years ended January 31, 2005 and for the period from August 4, 1999 (inception) to January 31, 2005, total rent expense was $74,637. No rent expense was incurred prior to September 1, 2004. Total annual commitments under these leases for each of the twelve months ended January 31, are as follows:

2006	$ 160,867
2007	125,342
2008	75,041
2009	76,542
2010	78,073
2011	79,634
2012	53,793
Total	$ 649,303

XENOMICS, INC.
(A Development Stage Company)

CONSOLIDATED BALANCE SHEET

AS OF JULY 31, 2005

(Unaudited)

ASSETS

Current Assets:		
Cash and cash equivalents	$	2,816,889
Marketable investments		3,444,655
Prepaid expenses		127,748
TOTAL CURRENT ASSETS		6,389,292
Property and equipment, net		96,525
Security deposits		55,608
	$	6,541,425

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:		
Accounts payable	$	142,604
Accrued expenses		109,371
TOTAL CURRENT LIABILITIES		251,975
Stockholders' equity:		
Preferred stock, $.001 par value, 20,000,000 shares authorized, 277,100 shares outstanding, designated as Series A Convertible Preferred Stock		2,771,000
Common stock, $.0001 par value, authorized 100,000,000 shares, 18,604,300 issued at July 31, 2005		1,860
Additional paid-in-capital		9,437,857
Unamortized deferred stock based compensation		(335,593)
Deficit accumulated during the development stage		(5,585,674)
		6,289,450
	$	6,541,425

The accompanying notes are an integral part of these condensed consolidated financial statements.

XENOMICS, INC.
(A Development Stage Company)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	Three Months Ended July 31,		Six Months Ended July 31,		August 4, 1999 (Inception) to
	2005	2004	2005	2004	July 31, 2005
Revenues	$ 0	$ 0	$ 0	$ 0	$ 0
Costs and expenses:					
Research and development	266,161	90,949	562,807	168,173	2,853,134
General and administrative	980,503	2,004	1,555,786	2,004	2,222,028
Stock based compensation	234,897	2,733	453,294	2,733	576,357
Total costs and expenses	1,481,561	95,686	2,571,887	172,910	5,651,519
Loss from operations	(1,481,561)	(95,686)	(2,571,887)	(172,910)	(5,651,519)
Interest and investment income	33,686	0	45,810	0	65,845
Net loss	$ (1,447,875)	$ (95,686)	$ (2,526,077)	$ (172,910)	$ (5,585,674)
Weighted average shares outstanding:					
Basic and diluted	18,933,648	14,000,318	18,335,109	13,590,320	12,514,245
Net loss per common share:					
Basic and diluted	$ (0.08)	$ (0.01)	$ (0.14)	$ (0.01)	$ (0.45)

The accompanying notes are an integral part of these condensed consolidated financial statements

XENOMICS, INC.
(A Development Stage Company)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock		Treasury	Additional	Deferred Unamortized Stock-based	Deficit Accumulated During Development	Total Stockholders'
	Shares	Par Value	Shares	Paid in Capital	Compensation	Stage	Equity
Balance August 4, 1999 (Inception)	—	$ —	$ —	$ —	$ —	$ —	$ —
Sale of common stock - founders	222,000,000	$ 22,200	—	$ 19,800	—	—	$ 42,000
Net loss for the period ended January 31, 2000	—	—	—	—	—	(14,760)	(14,760)
Balance, January 31, 2000	222,000,000	$ 22,200	$ 0	$ 19,800	$ 0	($14,760)	$ 27,240
Net loss for the period ended January 31, 2001	—	—	—	—	—	(267,599)	(267,599)
Balance, January 31, 2001	222,000,000	$ 22,200	$ 0	$ 19,800	$ 0	($282,359)	($240,359)
Capital contribution cash				45,188			45,188
Net loss for the period ended January 31, 2002	—	—	—	—	—	(524,224)	(524,224)
Balance, January 31, 2002	222,000,000	$ 22,200	$ 0	$ 64,988	$ 0	($806,583)	($719,395)
Sale of common stock	7,548,000	755		2,645			3,400
Capital contribution cash				2,500			2,500
Net loss for the period ended January 31, 2003	—	—	—	—	—	(481,609)	(481,609)
Balance, January 31, 2003	229,548,000	$ 22,955	$ 0	$ 70,133	$ 0	($1,288,192)	($1,195,104)
Net loss for the period ended January 31, 2004	—	—	—	—	—	(383,021)	(383,021)
Balance, January 31, 2004	229,548,000	$ 22,955	$ 0	$ 70,133	$ 0	($1,671,213)	($1,578,125)

The accompanying notes are an integral part of these condensed consolidated financial statements.

XENOMICS, INC.
(A Development Stage Company)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (Continued)

	Common Stock		Treasury	Additional	Deferred Unamortized Stock-based	Deficit Accumulated During Development	Total Stockholders'
	Shares	Par Value	Shares	Paid in Capital	Compensation	Stage	Equity
Balance, January 31, 2004	229,548,000	$ 22,955	$ 0	$ 70,133	$ 0	($1,671,213)	($1,578,125)
Founders waive deferred compensation				1,655,029			1,655,029
Private Placement common stock	2,645,210	265		2,512,685			2,512,950
Redeemed shares from Panetta Partners, Ltd	(218,862,474)	(21,886)		(478,114)			(500,000)
Cost associated with recapitalization				(301,498)			(301,498)
Share exchange with Xenomics Founders	2,258,001	226		(226)			0
Issuance of treasury shares to escrow	350,000	35	(35)				0
Private Placement common stock	1,368,154	136		2,667,764			2,667,900
Issuance of warrants to finders				157,062			157,062
Finders warrants charged cost of capital				(157,062)			(157,062)
Deferred stock based compensation				895,450	(895,450)		0
Amortization of deferred stock based compensation					123,063		123,063
Net loss for the year ended January 31, 2005	—	—	—	—	—	(1,388,384)	(1,388,384)
Balance, January 31, 2005	17,306,891	$ 1,731	($35)	$ 7,021,223	($772,387)	($3,059,597)	$ 3,190,935

The accompanying notes are an integral part of these condensed consolidated financial statements

XENOMICS, INC.
(A Development Stage Company)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (Continued)

	Preferred	Common Stock		Treasury	Additional	Deferred Unamortized	Deficit Accumulated During	Total
	Stock	Shares	Par Value	Shares	Paid in Capital	Stock-based Compensation	Development Stage	Stockholders' Equity
Balance, January 31, 2005	$ 0	17,306,891	$ 1,731	($35)	$ 7,021,223	($772,387)	($3,059,597)	$ 3,190,935
Private Placement common stock - February 2005		102,564	10		199,990			200,000
Payment of finders fees and expenses in cash					(179,600)			(179,600)
Common stock issued to finders		24,461	2		(2)			—
Private placement of common stock - net		127,025	12		20,388			20,400
Private Placement common stock - April 2005		1,515,384	152		2,954,847			2,954,999
Payment of finders fees and expenses in cash					(298,000)			(298,000)
Issuance of warrants to finders at fair value					222,188			222,188
Finders warrants treated cost of capital		—	—		(222,188)			(222,188)
Private placement of common stock - net		1,515,384	152		2,656,847			2,656,999
Sale of Series A Convertible Preferred Stock	2,771,000							2,771,000
Payment of finders fees and expenses in cash					(277,101)			(277,101)
Issuance of warrants to finders at fair value					167,397			167,397
Finders warrants treated cost of capital	—				(167,397)			(167,397)
Sale of Series A Convertible Preferred Stock - net	2,771,000				(277,101)			2,493,899
Retirement of Treasury Shares		(350,000)	(35)	35				—
Shares issued for services		5,000			16,500			16,500
Amortization of deferred stock based compensation						436,794		436,794
Net loss for 6 month ended July 31, 2005	—	—	—	—	—	—	(2,526,077)	(2,526,077)
Balance, July 31, 2005	$ 2,771,000	18,604,300	$ 1,860	$ 0	$ 9,437,857	($335,593)	($5,585,674)	$ 6,289,450

The accompanying notes are an integral part of these condensed consolidated financial statements

XENOMICS, INC.
(A Development Stage Company)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Six months ended July 31, 2005	Six months ended July 31, 2004	Period from August 4, 1999 (inception) to July 31, 2005
Cash flows from operating activities:			
Net loss	$ (2, 526,077)	$ (172,910)	$ (5,585,674)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	10,545	—	19,612
Stock based compensation expense	453,294	2,733	576,357
Founders compensation contributed to equity	—	74,404	1,655,028
Amortization of purchase discount on marketable investments	(1,695)	—	(1,695)
Changes in operating assets and liabilities:			
Prepaid expenses	(92,388)	(16,490)	(127,748)
Security deposit	2,565	(50,617)	(55,608)
Accounts payable and accrued expenses	44,916	33,893	251,976
Patent costs	—	(36,572)	—
Total adjustments	417,238	7,351	2,317,922
Net cash used in operating activities	(2,108,839)	(165,559)	(3,267,752)
Cash flows from investing activities:			
Acquisition of equipment	(29,575)	(41,137)	(116,137)
Purchase of marketable investments	(3,442,960)	—	(3,442,960)
Net cash used in investing activities	(3,472,535)	(41,137)	(3,559,097)
Cash flows from financing activities:			
Proceeds from issuance of common stock	3,154,999	2,512,950	8,428,937
Payment of acquisition costs on common stock	(477,600)	(301,498)	(779,098)
Proceeds from issuance of preferred stock	2,771,000		2,771,000
Payment of acquisition costs on preferred stock	(277,101)		(277,101)
Purchase of common stock	—	(500,000)	(500,000)
Net cash provided by financing activities	5,171,298	1,711,452	9,643,738
Net (decrease)increase in cash and cash equivalents	(410,076)	1,504,756	2,816,889
Cash and cash equivalents at beginning of period	3,226,965	339	—
Cash and cash equivalents at end of period	$ 2,816,889	$ 1,505,095	$ 2,816,889
Supplementary disclosure of cash flow information:			
Cash paid for taxes	$ —	$ —	$ —
Cash paid for interest	$ —	$ —	$ —

The accompanying notes are an integral part of these condensed consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2005

(Unaudited)

1. BUSINESS OVERVIEW:

Xenomics, Inc. (“Xenomics” or the “Company") is considered to be in the development stage. Since inception on August 4, 1999, Xenomics’ efforts have been principally devoted to research and development, securing and protecting its patents and raising capital. From inception through July 31, 2005, Xenomics has sustained cumulative net losses of $5,585,674. Xenomics's losses have resulted primarily from expenditures incurred in connection with research and development activities, application and filing for regulatory approval of its proposed products, patent filing and maintenance expenses, purchase of in-process research and development, outside accounting and legal services and regulatory, scientific and financial consulting fees. From inception through July 31, 2005, Xenomics has not generated any revenue from operations, expects to incur additional losses to perform further research and development activities and does not currently have any commercial molecular diagnostic products approved by the Food and Drug Administration, and does not expect to have such for several years, if at all.

Xenomics's product development efforts are thus in their early stages and Xenomics cannot make estimates of the costs or the time it will take to complete. The risk of completion of any program is high because of the many uncertainties involved in bringing new drugs to market including the long duration of clinical testing, the specific performance of proposed products under stringent clinical testing protocols, the extended regulatory approval and review cycles and the nature and timing of costs and competing technologies being developed by organizations with significantly greater resources.

2. BASIS OF PRESENTATION:

The accompanying condensed consolidated financial statements of Xenomics, which include the results of Xenomics, Inc. a Florida corporation and its wholly owned subsidiary Xenomics, a California corporation ("Xenomics Sub"), have been prepared in accordance with (i) accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and (ii) the rules of the Securities and Exchange Commission (the "SEC") for quarterly reports on Form 10-QSB. All significant intercompany balances and transactions have been eliminated in consolidation. These condensed consolidated financial statements do not include all of the information and footnote disclosures required by GAAP for complete financial statements. These statements should be read in conjunction with Xenomics’s audited financial statements and notes thereto for the year ended January 31, 2005, included in Form 10-KSB/A filed with the SEC on October 28, 2005. In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments, primarily consisting of normal adjustments, necessary for the fair presentation of the balance sheet and results of operations for the interim periods. The results of operations for the six months ended July 31, 2005 are not necessarily indicative of the results of operations to be expected for the full year ending January 31, 2006.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CASH, CASH EQUIVALENTS AND MARKETABLE INVESTMENTS - Xenomics considers all highly liquid debt instruments, including treasury bills, purchased with original maturities of three months or less to be cash equivalents.

Marketable investments consisted of held to maturity debt investments that are reported at fair market value. As of July 31, 2005 $3,444,655 was held in US Treasury Bills that had maturities ranging from three to six months. All treasury bills are purchased at a discount to face value, which discount is amortized until maturity, in accordance with Statement of Financial Accounting Standard (“SFAS”) No. 115 “Accounting for Debt and Equity Securities”. The amortization of a purchase discount of $1,695 on these investments was recorded as interest income in Xenomics’s results of operations for the six months ended July 31, 2005.

BUSINESS CONCENTRATIONS AND CREDIT RISKS - All of Xenomics's cash and cash equivalents and marketable investments as of July 31, 2005 are on deposit with a major money center financial institution, or invested in short term debt instruments, principally U.S. Treasury Bills, not exceeding maturities of 180 days. Bank deposits at any point in time may exceed federally insured limits.

NET LOSS PER SHARE - Basic and diluted net loss per share is presented in conformity with SFAS No. 128, "Earnings per Share," for all periods presented. In accordance with SFAS No. 128, basic and diluted net loss per common share was determined by dividing net loss applicable to common stockholders by the weighted-average common shares outstanding during the period. Diluted weighted-average shares are the same as basic weighted-average shares since the inclusion of issuable shares pursuant to the conversion of preferred stock and the exercise of stock options and warrants would have been antidilutive.

As of July 31, 2005, Xenomics had 1,288,837 shares of common stock issuable upon conversion of the 277,100 shares of Series A convertible preferred stock outstanding. In addition Xenomics had 2,503,501 and 20,000 common stock warrants outstanding which were 100% vested as of July 31, 2005 and July 31, 2004 respectively. Stock options outstanding totaled 6,290,000 and 3,750,000 as of July 31, 2005 and 2004, respectively. All share and per share amounts have been restated to reflect the 111 for 1 stock split which was effective July 26, 2004.

ACCOUNTING FOR STOCK BASED COMPENSATION - Xenomics has adopted Statement of Financial Accounting Standard ("SFAS") No. 123, "Accounting for Stock-Based Compensation." As provided for by SFAS 123, Xenomics has elected to continue to account for its stock-based compensation programs according to the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees ("APB 25").

A total of 5,000,000 shares of common stock have been reserved for issuance under the the Xenomics Stock Option Plan, as amended (the "Plan"). As of July 31, 2005, options for 6,290,000 shares were outstanding under the Plan. 1,290,000 of such options have been granted subject to stockholder approval of an increase in the number of shares that can be granted under the plan. With respect to the options granted prior to stockholder approval a measurement date has not occurred and no compensation expense has been recorded. When such measurement date does occur, compensation expense will be recorded for any excess of the fair market value on that date over the exercise price. During the six months ended July 31, 2005, Xenomics recorded $453,294 in stock-based compensation expense associated with shareholder approved options and warrants.

In December 2002, the Financial Accounting Standards Board issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure, an amendment of FASB Statement No. 123," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both Quarterly and Annual financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. (See table below)

Had compensation cost for stock options granted to employees and directors been determined based upon the fair value at the grant date for awards, consistent with the methodology prescribed under SFAS 123, Xenomics's net loss would have been as follows:

	Three Months Ended July 31,		Six Months Ended July,	
	2005	**2004**	**2005**	**2004**
Net loss, as reported	$ (1,447,875)	$ (95,686)	$ (2, 526,077)	$ (172,910)
Add: Stock-based employee compensation expense recorded under APB No. 25 intrinsic value method	—	—	—	—
Deduct: Stock-based employee compensation expense determined under fair value method	(63,770)	(149)	(127,540)	(149)
Pro forma net loss	$ (1,511,645)	$ (95,835)	$ (2,653,617)	$ (173,059)
Net loss per share:				
Basic and diluted -as reported	$ (0.08)	$ (0.01)	$ (0.14)	($0.01)
Basic and diluted -pro forma	$ (0.08)	$ (0.01)	$ (0.14)	($0.01)
Black-Scholes Methodology Assumptions:				
Dividend yield	0%	0%	0%	0%
Risk free interest rate	4.25%	4.25%	4.25%	4.25%
Expected lives of options	7 to 10 years	7 to 10 years	7 to 10 years	7 to 10 years

Volatility of 0% was used until Xenomics's common stock began to trade publicly on July 2, 2004. Since July 5, 2004 through July 31, 2005, Xenomics has used 80% volatility to determine fair value of options granted to employees.

RECENT ACCOUNTING PRONOUNCEMENTS AFFECTING THE COMPANY - In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard ("SFAS") No. 123 (Revised 2004), "Share-Based Payment." SFAS No 123R is a revision of SFAS No. 123, "Accounting for Stock-Based Compensation" and supersedes Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees" and its related implementation guidance. SFAS No. 123R focuses primarily on accounting for transactions in which an entity obtains employee services through share-based payment transactions. SFAS No 123R requires a public entity to measure the cost of employee services received in exchange for the award of equity instruments based on the fair value of the award at the date of grant. The cost will be recognized over the period during which an employee is required to provide services in exchange for the award. SFAS No. 123R is effective as of the beginning of the first interim or Quarterly reporting period that begins after December 15, 2005. While Xenomics cannot precisely determine the impact on net loss as a result of the adoption of SFAS No 123R, estimated compensation expense related to prior periods can be found in the above table of this footnote.

4. STOCKHOLDERS' EQUITY:

On January 28, 2005, the Company closed the first traunche of a private placement selling 1,368,154 shares of common stock and 367,681 warrants to certain investors (the "Investors"). The securities were sold as a unit (the "Units") at a price of $1.95 per Unit for aggregate proceeds of $2,667,900. Each Unit consisted of one share of common stock and a warrant to purchase one quarter share of common stock. The warrants are immediately exercisable at $2.95 per share and are exercisable at any time within five years from the date of issuance. The Company issued an aggregate 123,659 warrants to purchase common stock to various selling agents, which are immediately exercisable at $2.15 per share and will expire five years after issuance. The warrants had a fair value of $157,062 on the date of issuance and this amount was recorded as a cost of raising capital.

On February 5, 2005 the Company completed the first traunche of the private placement described above selling an additional 102,564 shares of its common stock to the Investors at a price of $1.95 per share for aggregate proceeds of $200,000. In addition, the Company paid an aggregate $179,600 in cash and issued 24,461 shares of common stock to certain selling agents, in lieu of cash, on the entire first traunche of the private placement.

On April 7, 2005, the Company closed the second and final traunche of the private placement of 1,515,384 shares of common stock and 378,846 warrants to certain additional Investors. The securities were sold as a unit (the "Units") at a price of $1.95 per Unit for aggregate proceeds of $2,954,999. Each Unit consisted of one share of common stock and a warrant to purchase one quarter share of common stock. The warrants are immediately exercisable at $2.95 per share and are exercisable at any time within five years from the date of issuance. The Company paid an aggregate $298,000 and issued an aggregate 121,231 warrants to purchase common stock to various selling agents. The warrants are immediately exercisable at $2.15 per share, will expire five years after issuance. The warrants had a fair value of $222,188 on the date of issuance and this amount was recorded as a cost of raising capital. These April 7, 2005 Investors became parties to the same Registration Rights Agreement (the "Registration Rights Agreement") as the January 28, 2005 Investors

In connection with the offer and sale of securities to the Investors the Company also entered into a Registration Rights Agreement, dated as of January 28, 2005, with the Investors pursuant to which the Company has agreed to file, within 120 days after the closing, a registration statement covering the resale of the shares of common stock sold to the Investors and the shares of common stock issuable upon exercise of the Warrants issued to the Investors. In the event a registration statement covering such shares of Common Stock is not filed with the SEC by the 120th day after the final closing of the Offering, the Company shall pay to the investors, at the Company's option in cash or common stock, an amount equal to 0.1125% of the gross proceeds raised in the Offering for each 30 day period that the registration statement is not filed with the SEC. Accordingly the Company was required to file a registration statement by May 28, 2005 and the failure to do so resulted in financial penalties in the amount of $16,304 through August 1, 2005, the date we filed our SB-2. (see Note 6. Subsequent Events)

On May 31, 2005 the Company issued 5,000 shares of common stock to a law firm for services rendered in lieu of cash. The fair value of these shares was $16,500 and was recorded as stock based compensation expense during the quarter ended July 31, 2005,

On July 2, 2004, Xenomics, Inc., formerly Used Kar Parts, Inc. acquired all of the outstanding common stock of Xenomics Sub, a then un-affiliated California corporation, by issuing 2,258,001 shares of Used Kar Parts, Inc. common stock to Xenomics Sub’s five shareholders (the "Exchange"). In connection with the Exchange the Company transferred 350,000 shares of common stock to be held in escrow, in the name of the Company, to cover any undisclosed liabilities. On July 2, 2005 the Company made a determination that no escrow liability existed and these shares of common stock held in the treasury for one year were cancelled.

On July 13, 2005, the Company closed a private placement of 277,100 shares of Series A Convertible Preferred Stock (the “Series A Preferred Stock”) and 386,651 warrants to certain investors for aggregate gross proceeds of $2,771,000 pursuant to a Securities Purchase Agreement dated as of July 13, 2005. The warrants are immediately exercisable at $3.25 per share and are exercisable at any time within five years from the date of issuance. The Company paid an aggregate $277,101 and issued an aggregate 105,432 warrants to purchase common stock to certain selling agents. The warrants issued to selling agents are immediately exercisable at $2.50 per share and will expire five years after issuance. The warrants had a fair value of $167,397 on the date of issuance and this amount was recorded as a cost of raising capital.

The Company’s Articles of Incorporation have been amended to provide for the issuance of 277,100 shares of Series A Preferred Stock pursuant to the Articles of Amendment to the Articles of Incorporation filed with the State of Florida on July 13, 2005.

5. COMMITMENTS AND CONTINGENCIES:

LICENSE AGREEMENTS:

On June 28, 2005, Xenomics, The Spallanzani National Institute for Infectious Diseases ("INMI") and SpaXen Italia, S.R.L., a joint venture between Xenomics and INMI ("SpaXen"), entered into a license agreement in which INMI granted to SpaXen an exclusive license to manufacture, have manufactured, use, import, offer to sell and/or sell products covered by certain existing and newly developed intellectual property assigned to INMI, pertaining to the application of Tr- DNA technology to the field of infectious diseases. In addition, SpaXen granted Xenomics an exclusive sublicense to manufacture, use, import and/or sell any products covered by the same INMI intellectual property licensed by SpaXen from INMI. Pursuant to the license agreement Xenomics agreed to pay to SpaXen a running royalty of 2% of the Company's net sales of any product resulting from the licensed INMI intellectual property. SpaXen has agreed to pay INMI a running royalty of 50% of the royalty fees paid by Xenomics. SpaXen's primary research and development targets will be tests for diagnosis of AIDS, hepatitis B, tuberculosis, malaria, and leishmaniasis diseases with the highest levels of morbidity and mortality.

EMPLOYMENT AND CONSULTING AGREEMENTS:

On June 27, 2005 Xenomics entered into an agreement with Gabriele M. Cerrone, the Company's Co-Chairman, to serve as a consultant for a term of three years with automatic renewal for successive one year periods unless either party gives notice to the other not to renew the agreement. The duties of Mr. Cerrone pursuant to the agreement consist of business development, strategic planning, capital markets and corporate financing consulting advice. Mr. Cerrone's compensation under the agreement is $16,500 per month. In the event the agreement is terminated without cause or for good reason, Mr. Cerrone will receive a cash payment equal to the aggregate amount of the compensation payments for the then remaining term of the agreement. In addition, in such event, all unvested stock options owned by Mr. Cerrone will immediately vest and the exercise period of such options will be extended to the later of the longest period permitted by the Company's stock option plans or ten years following termination. In the event a change of control of the Company occurs, Mr. Cerrone shall be entitled to such compensation upon the subsequent termination of the agreement within two years of the change in control unless such termination is the result of Mr. Cerrone's death, disability or retirement or Mr. Cerrone's termination for cause.

On May 24, 2005, the Company's Compensation Committee in recognition of the substantial time and effort to the Company's affairs during the past year by each of Gabriele M. Cerrone, Co-Chairman, L. David Tomei, Co-Chairman and President of SpaXen Italia, S.R.L., the Company's joint venture with the Spallanzani National Institute for Infectious Diseases in Rome, Italy, Samuil Umansky, President and Hovsep Melkonyan, Vice President, Research, accelerated the vesting of outstanding stock options dated June 24, 2004 previously granted to each such officer in the amounts of 1,050,000, 1,012,500, 1,012,500 and 675,000, respectively, so that such options vest as of May 24, 2005. No other terms of the original option agreements were changed (e.g. number of shares, exercise price, or life of the option) therefore, in accordance with FASB Interpretation No. 44 Accounting for Certain Transactions Involving Stock Compensation (paragraph 31), no modification of the original stock based compensation was required.

On February 14, 2005, Xenomics entered into an employment agreement with Bernard Denoyer, pursuant to which Mr. Denoyer will serve as Vice President-Controller for a period of 1 year commencing February 14, 2005. The agreement is automatically renewed for successive 1 year periods until written notice not to renew is delivered by either us or Mr. Denoyer. Mr. Denoyer's salary is $75,000 per year. In connection with the employment agreement, Mr. Denoyer received a grant of 75,000 incentive stock options pursuant to Xenomics's stock option plan with an exercise price of $2.50 per share. Such options will vest at the rate of 25,000 per year for a period of three years beginning on January 14, 2006.

On December 13, 2004 Xenomics entered into a letter of engagement (the “Agreement”) with Trilogy Capital Partners, Inc. (“Trilogy”). The term of the Agreement is for twelve months and terminable thereafter by either party upon 30 days’ prior written notice. Pursuant to the Agreement, Trilogy will provide marketing, financial public relations services and assume the responsibilities of an investor relations officer. Xenomics will pay Trilogy $10,000 per month under the Agreement.

Pursuant to the Agreement, Xenomics issued warrants to purchase 1,000,000 shares of Common Stock of Xenomics to Trilogy and certain related companies, at an exercise price of $2.95 per share (the “Warrants”). The exercise price was determined to be consistent with the price of the warrants being offered to purchasers as part of an investment unit in the then operative private placement memorandum. The Warrants issued to Trilogy are exercisable upon issuance and expire on December 13, 2007. Xenomics has agreed to file a registration statement with the Securities and Exchange Commission registering for resale the shares of Common Stock underlying the Warrants. The Fair Value of the Warrants using the Black-Scholes methodology is $862,656 which was recorded as deferred stock-based compensation expense to be amortized over the term of the Agreement starting in the quarter ended January 31, 2005.

6. SUBSEQUENT EVENTS

On August 1, 2005 the Company filed a Form SB-2 registration statement with the Securities and Exchange Commission pursuant to a Registration Rights Agreement, dated as of January 28, 2005. The Company was required to file this registration statement by May 28, 2005 and the failure to do so resulted in financial penalties in the amount of $16,304. These penalties were computed through the date the Form SB-2 was filed and paid on August 7, 2005. These damages were deemed immaterial as of July 31, 2005, will be accounted for as a cost of raising capital and charged to additional paid in capital during the quarter ended October 31, 2005. Such registration statement is required to be declared effective by the SEC by October 25, 2005 and the failure to do would result in financial penalties equal to $34,989 for every 30-day period that the registration statement is not declared effective by the Securities and Exchange Commission.

XENOMICS, INC.

8,961,719 SHARES OF COMMON STOCK

We have not authorized any dealer, salesperson or any other person to give any information or to represent anything not contained in this prospectus. You must not rely on any unauthorized information. This prospectus does not offer to sell or buy any shares in any jurisdiction where it is unlawful. The information in this prospectus is current as of _____, 2005

Until _____, all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

PROSPECTUS

PART II

INFORMATION NOT REQUIRED IN THE PROSPECTUS

ITEM 24. INDEMNIFICATION OF OFFICERS AND DIRECTORS

The Florida Business Corporation Act, or FBCA, permits a Florida corporation to indemnify any person who may be a party to any third party proceeding by reason of the fact that such person is or was a director, officer, employee, or agent of the corporation, against liability incurred in connection with such proceeding (including any appeal thereof) if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful.

The FBCA permits a Florida corporation to indemnify any person who may be a party to a derivative action if such person acted in any of the capacities set forth in the preceding paragraph, against expenses and amounts paid in settlement not exceeding, in the judgment of the board of directors, the estimated expenses of litigating the proceeding to conclusion, actually and reasonably incurred in connection with the defense or settlement of such proceeding (including appeals), provided that the person acted under the standards set forth in the preceding paragraph. However, no indemnification shall be made for any claim, issue, or matter for which such person is found to be liable unless, and only to the extent that, the court determines that, despite the adjudication of liability, but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnification for such expenses which the court deems proper.

The FBCA provides that any indemnification made under the above provisions, unless pursuant to a court determination, may be made only after a determination that the person to be indemnified has met the standard of conduct described above. This determination is to be made by a majority vote of a quorum consisting of the disinterested directors of the board of directors, by duly selected independent legal counsel, or by a majority vote of the disinterested stockholders. The board of directors also may designate a special committee of disinterested directors to make this determination. Notwithstanding, the FBCA provides that a Florida corporation must indemnify any director, or officer, employee or agent of a corporation who has been successful in the defense of any proceeding referred to above.

Notwithstanding the foregoing, the FBCA provides, in general, that no director shall be personally liable for monetary damages to our company or any other person for any statement, vote, decision, or failure to act, regarding corporate management or policy, unless: (a) the director breached or failed to perform his duties as a director; and (b) the director's breach of, or failure to perform, those duties constitutes (i) a violation of criminal law, unless the director had reasonable cause to believe his conduct was lawful or had no reasonable cause to believe his conduct was unlawful, (ii) a transaction from which the director derived an improper personal benefit, either directly or indirectly, (iii) unlawful distributions, (iv) with respect to a proceeding by or in the right of the company to procure a judgment in its favor or by or in the right of a stockholder, conscious disregard for the best interest of the company, or willful misconduct, or (v) with respect to a proceeding by or in the right of someone other than the company or a stockholder, recklessness or an act or omission which was committed in bad faith or with malicious purpose or in a manner exhibiting wanton and willful disregard of human rights, safety, or property. The term "recklessness," as used above, means the action, or omission to act, in conscious disregard of a risk: (a) known, or so obvious that it should have been known, to the directors; and (b) known to the director, or so obvious that it should have been known, to be so great as to make it highly probable that harm would follow from such action or omission.

The FBCA further provides that the indemnification and advancement of payment provisions contained therein are not exclusive and it specifically empowers a corporation to make any other further indemnification or advancement of expenses under any bylaw, agreement, vote of stockholders, or disinterested directors or otherwise, both for actions taken in an official capacity and for actions taken in other capacities while holding an office. However, a corporation cannot indemnify or advance expenses if a judgment or other final adjudication establishes that the actions of the director or officer were material to the adjudicated cause of action and the director or officer (a) violated criminal law, unless the director or officer had reasonable cause to believe his conduct was unlawful, (b) derived an improper personal benefit from a transaction, (c) was or is a director in a circumstance where the liability for unlawful distributions applies, or (d) engages in willful misconduct or conscious disregard for the best interests of the corporation in a proceeding by or in right of the corporation to procure a judgment in its favor or in a proceeding by or in right of a stockholder.

Our Articles of Incorporation provide that, to the fullest extent permitted by law, none of our directors or officers shall be personally liable to us or our shareholders for damages for breach of any duty owed to our shareholders or us. As indicated in section 607.0850 of the Florida Statute, Florida law provides that a director shall have no personal liability for any statement, vote, decision or failure to act, regarding corporate management or policy by a director, unless the director breached or failed to perform the duties of a director.

In addition, we shall have the power, by our by-laws or in any resolution of our stockholders or directors, to undertake to indemnify the officers and directors of ours against any contingency or peril as may be determined to be in our best interest and in conjunction therewith, to procure, at our expense, policies of insurance. At this time, no statute or provision of the by-laws, any contract or other arrangement provides for insurance or indemnification of any of our controlling persons, directors or officers that would affect his or her liability in that capacity.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to our directors, officers, and controlling persons pursuant to the foregoing provisions or otherwise, we have been advised that in the opinion of the Securities Exchange Commission, such indemnification is against public policy as expressed in the Securities Act of 1933, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by us of expenses incurred or paid by our director, officer, or controlling person in the successful defense of any action, suit or proceeding) is asserted by such director, officer, or controlling person in connection with the securities being registered hereunder, we will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

ITEM 25. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth an estimate of the costs and expenses payable by Xenomics, Inc. in connection with the offering described in this registration statement. All of the amounts shown are estimates except the Securities and Exchange Commission registration fee:

Securities and Exchange Commission Registration Fee	$	2,594.81
Printing and Engraving Expenses		3,000.00
Accounting Fees and Expenses		5,000.00
Legal Fees and Expenses		25,000.00
Miscellaneous		1,405.19
Total	$	37,000.00

ITEM 6. RECENT SALES OF UNREGISTERED SECURITIES

On July 13, 2005, the Company closed a private placement of 277,100 shares of Series A Convertible Preferred Stock and 386,651 warrants to certain investors for aggregate gross proceeds of $2,771,000. The warrants are immediately exercisable at $3.25 per share and are exercisable at any time within five years from the date of issuance. The Company paid an aggregate $277,100 and issued an aggregate 105,432 warrants to purchase common stock to certain selling agents. The warrants are immediately exercisable at $3.25 per share and will expire five years after issuance. In connection with the offer and sale of securities to the investors and the selling agents, the Company relied on the exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended (the "Securities Act"), and Rule 506 promulgated thereunder. No form of public advertising was used in connection with the offering. Each of the investors executed an accredited investor questionnaire confirming his, her or its status as an accredited investor under Rule 501, as well as a subscription agreement confirming that such individual or entity had sufficient knowledge and experience to be able to evaluate the merits and risks of the offering.

On January 28, 2005, the Company closed the first traunche of a private placement in which it sold 1,470,718 shares of common stock and 367,681 warrants to certain investors (the "Investors"). The securities were sold as a unit (the "Units") at a price of $1.95 per Unit for aggregate proceeds of approximately $2.9 million. Each Unit consisted of one share of common stock and a warrant to purchase one quarter share of common stock. The warrants are immediately exercisable at $2.95 per share and are exercisable at any time within five years from the date of issuance. The Company paid an aggregate $193,438 and issued an aggregate 123,659 warrants to purchase common stock to various selling agents. In addition, the Company issued an aggregate 24,461 shares of common stock to certain of such selling agents, in lieu of cash. The warrants are immediately exercisable at $2.15 per share and will expire five years after issuance. On April 7, 2005, the Company closed the second traunche of the private placement and sold 1,515,384 shares of common stock and 378,846 warrants to certain additional Investors for aggregate proceeds of approximately $2.95 million. The Company paid an aggregate $236,400 and issued an aggregate 121,231 warrants to purchase common stock to Axiom Capital Management who acted as the selling agent. The warrants are immediately exercisable at $2.15 per share and will expire five years after issuance.

In connection with the offer and sale of securities to the Investors and the selling agents, the Company relied on the exemption from registration provided by Section 4(2) of the Securities Act, and Rule 506 promulgated thereunder. No form of public advertising was used in connection with the offering. Each of the Investors executed an accredited investor questionnaire confirming his, her or its status as an accredited investor under Rule 501, as well as a subscription agreement confirming that such individual or entity had sufficient knowledge and experience to be able to evaluate the merits and risks of the offering.

On January 10, 2005, the Company entered into a letter of engagement (the "Agreement") with Trilogy Capital Partners, Inc. ("Trilogy"). The term of the Agreement is for twelve months beginning on January 10, 2005 and terminable thereafter by either party upon 30 days' prior written notice. Pursuant to the Agreement, Trilogy will provide marketing and financial public relations services to the Company and will assume the responsibilities of an investor relations officer for the Company.

Pursuant to the Agreement, the Company issued warrants to purchase 1,000,000 shares of Common Stock of the Company at an exercise price of $2.95 per share (the "Warrants"). The Warrants issued to Trilogy are exercisable upon issuance and expire on January 10, 2008. The offer and sale of these securities was made in reliance on Section 4(2) of the Securities Act of 1933, as amended. The Warrants contain a representation from Trilogy that it understands that an investment in the Warrants involves a high degree of risk, and Trilogy has the financial ability to bear the economic risk of this investment in the Warrants, including a complete loss of such investment.

On July 2, 2004, the Company completed a private placement of 2,645,210 shares of its common stock for aggregate proceeds of $2,512,950, or $0.95 per share. The sale was made to 17 accredited investors directly by the Company without any general solicitation or broker and thus no finder’s fees were paid. In connection with the offer and sale of these securities, the Company filed a Form D with the SEC and relied on the exemption from registration provided by Section 4(2) of the Securities Act and Rule 506 promulgated thereunder. Each investor executed a subscription agreement confirming that such individual or entity had sufficient knowledge and experience to be able to evaluate the merits and risks of the offering.

On July 2, 2004, the Company completed the acquisition of Xenomics, an unaffiliated California corporation by issuing 2,258,001 shares of its common stock to Xenomics' five shareholders in exchange for all outstanding shares of Xenomics stock (the "Exchange"). The Exchange was made according to the terms of a Securities Exchange Agreement dated May 18, 2004 ("Exchange Agreement"), which was filed as an exhibit to a Form 8-K dated May 18, 2004. The Company relied on the exemption from registration provided by Section 4(2) of the Securities Act.

From May 2002 through January 2003, the Company issued 2,000,000 shares of its common stock to its founder, Jeannine Karklins, at $.001 (par value), for an aggregate amount of $2,000.00 and issued 68,000 shares of its common stock at a price of $.05 per share or aggregate cash proceeds of $3,400 to 22 investors, of which all persons were of non-accredited status. Approximately 35 investors were solicited and 18 of these people purchased Company common stock. The investors were business associates and friends. A total of 6 prospective investors called the Company’s corporate office concerning investment information after being referred by the 35 original people solicited by Jeannine Karklins. Of these 6 prospective investors, 4 became investors in the Company. Stock certificates issued contained a legend that evidences the securities have not been registered under the Act and therefore cannot be resold unless they are registered under the Act or unless an exemption from registration is available.

The shares were issued in reliance on the exemptions from registration provided by Rule 504 of Regulation D and Section 4 (2) of the Securities Act.

ITEM 27. EXHIBITS

Exhibit	Description
2.1	Capital Stock Purchase Agreement between Panetta Partners, Ltd. and Jeannine Karklins dated February 24, 2004 (Incorporated by reference to exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 11, 2004)
3.1	Articles of Incorporation of the Company (Incorporated by reference to exhibit 3.1 to the Company's Form SB-2 Registration Statement, as amended, filed on June 25, 2003)
3.2	Articles of Amendment to Articles of Incorporation of Used Kar Parts, Inc. changing its name to Xenomics, Inc., filed on July 14, 2004 with the Florida Secretary of State (Incorporated by reference to exhibit 3(i).1 to the Company’s Current Report on Form 8-K filed on July 19, 2004)
3.3	Amended and Restated By-Laws (Incorporated by reference to exhibit 3(ii).1 to the Company’s Current Report on Form 8-K filed on July 19, 2004)
3.4	Articles of Amendment to Articles of Incorporation of Xenomics, Inc. (Incorporated by reference to exhibit 3.1 to the Company’s Current Report on Form 8-K filed on July 19, 2005)
4.1	Form of Stock Certificate, $.001 par value (Incorporated by reference to exhibit 4 to the Company's Form SB-2 Registration Statement, as amended, filed June 25, 2003)
4.2	Form of Warrant issued to Irv Weiman, Laura Dever and Len Toboroff (Incorporated by reference to exhibit 4.2 to the Company’s Current Report on Form 8-K filed on July 19, 2004)
4.3	Form of Warrant issued to Trilogy Capital Partners, Inc. (Incorporated by reference to exhibit 4.1 to the Company’s Current Report on Form 8-K filed on January 13, 2005)
4.4	Form of Warrant to purchase shares of Common Stock issued in connection with the sale of the Common Stock (Incorporated by reference to exhibit 4.1 to the Company’s Current Report on Form 8-K filed on February 3, 2005)

Exhibit	Description
4.5	Form of Warrant to purchase shares of Common Stock issued in connection with the sale of the Series A Convertible Preferred Stock (Incorporated by reference to exhibit 4.1 to the Company's Current Report on Form 8-K filed on July 19, 2005)
4.6	Form of Warrant to purchase shares of Common Stock issued to selling agents in connection with the sale of the Series A Convertible Preferred Stock (Incorporated by reference to exhibit 4.1 to the Company's Current Report on Form 8-K filed on July 19, 2005)
5.1	Opinion of Sichenzia Ross Friedman Ference LLP*
10.1	Xenomics, Inc. 2004 Stock Option Plan (Incorporated by reference to exhibit 4.3 to the Company's Current Report on Form 8-K filed on July 19, 2004)+
10.2	Securities Exchange Agreement by and among Used Kar Parts, Inc., the individuals named on Schedule 1.1thereto and Xenomics dated as of May 18, 2004 (Incorporated by reference to exhibit 2.1 to the Company's Current Report on Form 8-K filed on July 19, 2004)
10.3	Closing Agreement entered into effective as of July 2, 2004 by and among Used Kar Parts, Inc., and Xenomics and L. David Tomei, Samuil Umansky, Hovsep S. Melkonyan, Kathryn P. Wilke and Anatoly V. Lichtenstein (Incorporated by reference to exhibit 2.2 to the Company's Current Report on Form 8-K filed on July 19, 2004)
10.4	Technology Acquisition Agreement dated effective as of June 24, 2004 by and among Used Kar Parts, Inc., and Xenomics and L. David Tomei, Samuil Umansky, Hovsep S. Melkonyan, Kathryn P. Wilke and Anatoly V. Lichtenstein (Incorporated by reference to exhibit 2.3 to the Company's Current Report on Form 8-K filed on July 19, 2004)
10.5	Shareholder Escrow Agreement effective as of the 24th day of June, 2004, by and among Used Kar Parts, Inc., Sommer & Schneider LLP, and the several former shareholders of Xenomics (Incorporated by reference to exhibit 2.4 to the Company's Current Report on Form 8-K filed on July 19, 2004)
10.6	Purchaser Escrow Agreement effective as of the 24th day of June, 2004, by and among Used Kar Parts, Inc., Sommer & Schneider LLP and the several former shareholders of Xenomics (Incorporated by reference to exhibit 2.5 to the Company's Current Report on Form 8-K filed on July 19, 2004)
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10.13	Form of Registration Rights Agreement, dated as of January 28, 2005 by and among the Registrant and the purchasers set forth on the signature page thereto (Incorporated by reference to exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 3, 2005)
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Exhibit	Description
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10.16	Stock Option Grant Agreement for Nonstatutory Stock Options of L. David Tomei dated June 24, 2004 (Incorporated by reference to exhibit 10.1 to the Company’s Current Report on Form 8-K filed on May 31, 2005)+
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10.21	Stock Option Grant Agreement for Nonstatutory Stock Options of Hovsep Melkonyan dated May 24, 2005 (Incorporated by reference to exhibit 10.6 to the Company’s Current Report on Form 8-K filed on May 31, 2005)+
10.22	Consulting Agreement dated June 24, 2005 between Xenomics, Inc. and Gabriele M. Cerrone**+
10.23	Form of Securities Purchase Agreement dated July 13, 2005 by and among Xenomics, Inc. and the purchasers set forth on the signature page thereto (Incorporated by reference to exhibit 10.1 to the Company’s Current Report on Form 8-K filed on July 19, 2005)
10.24	Form of Registration Rights Agreement dated July 13, 2005 by and among Xenomics, Inc. and the purchasers signatory thereto (Incorporated by reference to exhibit 10.2 to the Company’s Current Report on Form 8-K filed on July 19, 2005)
10.25	Executive Employment Agreement dated effective as of June 24, 2004 by and among Samuil Umansky, Xenomics and Used Kar Parts, Inc. (Incorporated by reference to exhibit 99.3 to the Company’s Current Report on Form 8-K filed on July 19, 2004)+
10.26	Agreement of Lease between Xenomics, Inc. and SLG Graybar Sublease LLC dated as of June 30, 2004*
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21.1	Subsidiary of the Registrant**
23.1	Consent of Sichenzia Ross Friedman Ference LLP (included in exhibit 5.1)*
23.2	Consent of Lazar Levine & Felix LLP*
24.1	Power of Attorney (included on page II-7)**

* Filed herewith
** Previously filed
+ Denotes a management contract or compensatory plan or arrangement

ITEM 28. UNDERTAKINGS

(a) The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "Act") may be permitted to directors, officers and controlling persons of the Company pursuant to the foregoing provisions, or otherwise, the Company has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Company of expenses incurred or paid by a director, officer or controlling person of the Company in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Company will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all the requirements for filing on Form SB-2 and has duly caused this Amendment No. 1 to Form SB-2 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, State of New York, on this 27th day of October, 2005.

XENOMICS, INC.

By: /s/ V. Randy White

V. Randy White
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 1 to Form SB-2 has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
* L. David Tomei, Ph.D	Co-Chairman of the Board, President, Spaxen Italia, srl	October 27, 2005
* Gabriele M. Cerrone	Co-Chairman of the Board	October 27, 2005
/s/ V. Randy White V. Randy White, Ph.D	Chief Executive Officer and Director	October 27, 2005
/s/ Bernard Denoyer Bernard Denoyer	Vice President - Controller	October 27, 2005
* Samuil Umansky, M.D., Ph.D	President and Chief Scientific Officer and Director	October 27, 2005
* Christoph Bruening	Director	October 27, 2005
* Thomas Adams	Director	October 27, 2005
* Donald H. Picker, Ph.D	Director	October 27, 2005

* By: /s/ V. Randy White

V. Randy White
As Attorney-in-Fact

INDEX TO EXHIBITS

Exhibit	Description
2.1	Capital Stock Purchase Agreement between Panetta Partners, Ltd. and Jeannine Karklins dated February 24, 2004 (Incorporated by reference to exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 11, 2004)
3.1	Articles of Incorporation of the Company (Incorporated by reference to exhibit 3.1 to the Company's Form SB-2 Registration Statement, as amended, filed on June 25, 2003)
3.2	Articles of Amendment to Articles of Incorporation of Used Kar Parts, Inc. changing its name to Xenomics, Inc., filed on July 14, 2004 with the Florida Secretary of State (Incorporated by reference to exhibit 3(i).1 to the Company's Current Report on Form 8-K filed on July 19, 2004)
3.3	Amended and Restated By-Laws (Incorporated by reference to exhibit 3(ii).1 to the Company's Current Report on Form 8-K filed on July 19, 2004)
3.4	Articles of Amendment to Articles of Incorporation of Xenomics, Inc. (Incorporated by reference to exhibit 3.1 to the Company's Current Report on Form 8-K filed on July 19, 2005)
4.1	Form of Stock Certificate, $.001 par value (Incorporated by reference to exhibit 4 to the Company's Form SB-2 Registration Statement, as amended, filed June 25, 2003)
4.2	Form of Warrant issued to Irv Weiman, Laura Dever and Len Toboroff (Incorporated by reference to exhibit 4.2 to the Company's Current Report on Form 8-K filed on July 19, 2004)
4.3	Form of Warrant issued to Trilogy Capital Partners, Inc. (Incorporated by reference to exhibit 4.1 to the Company's Current Report on Form 8-K filed on January 13, 2005)
4.4	Form of Warrant to purchase shares of Common Stock issued in connection with the sale of the Common Stock (Incorporated by reference to exhibit 4.1 to the Company's Current Report on Form 8-K filed on February 3, 2005)
4.5	Form of Warrant to purchase shares of Common Stock issued in connection with the sale of the Series A Convertible Preferred Stock (Incorporated by reference to exhibit 4.1 to the Company's Current Report on Form 8-K filed on July 19, 2005)
4.6	Form of Warrant to purchase shares of Common Stock issued to selling agents in connection with the sale of the Series A Convertible Preferred Stock (Incorporated by reference to exhibit 4.1 to the Company's Current Report on Form 8-K filed on July 19, 2005)
5.1	Opinion of Sichenzia Ross Friedman Ference LLP*
10.1	Xenomics, Inc. 2004 Stock Option Plan (Incorporated by reference to exhibit 4.3 to the Company's Current Report on Form 8-K filed on July 19, 2004)+
10.2	Securities Exchange Agreement by and among Used Kar Parts, Inc., the individuals named on Schedule 1.1thereto and Xenomics dated as of May 18, 2004 (Incorporated by reference to exhibit 2.1 to the Company's Current Report on Form 8-K filed on July 19, 2004)
10.3	Closing Agreement entered into effective as of July 2, 2004 by and among Used Kar Parts, Inc., and Xenomics and L. David Tomei, Samuil Umansky, Hovsep S. Melkonyan, Kathryn P. Wilke and Anatoly V. Lichtenstein (Incorporated by reference to exhibit 2.2 to the Company's Current Report on Form 8-K filed on July 19, 2004)
10.4	Technology Acquisition Agreement dated effective as of June 24, 2004 by and among Used Kar Parts, Inc., and Xenomics and L. David Tomei, Samuil Umansky, Hovsep S. Melkonyan, Kathryn P. Wilke and Anatoly V. Lichtenstein (Incorporated by reference to exhibit 2.3 to the Company's Current Report on Form 8-K filed on July 19, 2004)
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23.2	Consent of Lazar Levine & Felix LLP*
24.1	Power of Attorney (included on page II-7)**

* Filed herewith
** Previously filed
+ Denotes a management contract or compensatory plan or arrangement

EXHIBIT 5.1

Sichenzia Ross Friedman Ference LLP

1065 AVENUE OF THE AMERICAS NEW YORK NY 10018
TEL 212 930 9700 FAX 212 930 9725 WEB WWW. SRFF.COM

October 27, 2005

VIA ELECTRONIC TRANSMISSION

Securities and Exchange Commission
Division of Corporation Finance
100 F Street, NE
Washington, D.C. 20549

Re: Xenomics, Inc.

Ladies and Gentlemen:

We refer to Amendment No. 1 to the registration statement on Form SB-2 (the "Registration Statement") under the Securities Act of 1933, as amended (the "Act"), filed by Xenomics, Inc., a Florida corporation (the "Company"), with the Securities and Exchange Commission on October 27, 2005.

We have examined the originals, photocopies, certified copies or other evidence of such records of the Company, certificates of officers of the Company and public officials, and other documents as we have deemed relevant and necessary as a basis for the opinion hereinafter expressed. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as certified copies or photocopies and the authenticity of the originals of such latter documents.

For purposes of this opinion, we have made such examination of law as we have deemed necessary. This opinion is limited solely to the Florida Business Corporation Act, as applied by courts located in Florida, and the applicable provisions of the Florida Constitution and the reported judicial decisions interpreting those laws, and we express no opinion as to the laws of any other jurisdiction.

Based on our examination mentioned above, we are of the opinion that the securities being registered to be sold pursuant to the Registration Statement are duly authorized and will be, when sold in the manner described in the Registration Statement, legally and validly issued, and fully paid and nonassessable.

We hereby consent to the filing of this opinion as Exhibit 5.1 to the Registration Statement. In giving the foregoing consent, we do not hereby admit that we are in the category of persons whose consent is required under Section 7 of the Act, or the rules and regulations of the Securities and Exchange Commission.

Very truly yours,

/s/ Sichenzia Ross Friedman Ference LLP

Sichenzia Ross Friedman Ference LLP

AGREEMENT OF LEASE

between

SLG GRAYBAR SUBLEASE LLC

Landlord

and

XENOMICS, INC.

Tenant

Dated as of June 30, 2004

Room 1701
420 Lexington Avenue
New York, New York

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LEASE (this "Lease") made as of the ____ day of June 2004 between SLG Graybar Sublease LLC, a New York limited liability company having an office c/o SL Green Realty Corp., at 420 Lexington Avenue, New York, New York, 10170, hereinafter referred to as "Landlord", and Xenomics, Inc., a _____ corporation, having an office located at 420 Lexington Avenue, New York, New York, hereinafter referred to as "Tenant".

W I T N ;E S S E T H

Landlord and Tenant, in consideration of the mutual agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, hereby covenant and agree as follows:

ARTICLE 1

DEMISE; PREMISES AND PURPOSE

1.01 Landlord hereby leases and demises to Tenant, and Tenant hereby hires and takes from Landlord, those certain Premises located on and comprising a rentable portion of the seventeenth (17th) floor designated as Room 1701, approximately as indicated by hatch marks on the plan annexed hereto and made a part hereof as "Exhibit A" (the "Premises") in the building known as and located at 420 Lexington Avenue, New York, New York (the "Building") subject to the provisions of this Lease.

1.02 The Premises shall be used and occupied for executive and general office use consistent with that found in Class "A" high-rise office buildings located in midtown Manhattan only and for no other purpose.

1.03 Neither the Premises, nor the halls, corridors, stairways, elevators or any other portion of the Building shall be used by the Tenant or the Tenant's servants, employees, licensees, invitees or visitors in connection with the aforesaid permitted use or otherwise so as to cause any unreasonable congestion of the public portions of the Building or the entranceways, sidewalks or roadways adjoining the Building whether by trucking or by the congregating or loitering thereon of the Tenant and/or the servants, employees, licensees, invitees or visitors of the Tenant.

1.04 Tenant shall not permit messengers, delivery personnel or other individuals providing such services to Tenant ("Delivery Personnel") to: (i) assemble, congregate or to form a line outside of the Premises or the Building or otherwise impede the flow of pedestrian traffic outside of the Premises or Building or (ii) park or otherwise leave bicycles, wagons or other delivery carts outside of the Premises or the Building except in locations outside of the Building designated by Landlord from time-to-time. Tenant shall require that all Delivery Personnel to comply with reasonable and nondiscriminatory rules promulgated by Landlord from time-to-time regarding the use of outside messenger services.

ARTICLE 2

TERM

2.01 The Premises are leased for a term of approximately seven (7) years (the "Term") which shall commence on September 15, 2004 (the "Commencement Date") and shall end on the 30th day of September, 2011 (the "Expiration Date") or on such earlier date upon which the Term shall expire, be canceled or terminated pursuant to any of the conditions or covenants of this Lease or pursuant to law.

ARTICLE 3

RENT AND ADDITIONAL RENT

3.01 Tenant shall pay fixed annual rent without electricity (the "Fixed Annual Rent") at the rates provided for in the schedule annexed hereto and made a part hereof as "Exhibit B" in equal monthly installments in advance on the first (1st) day of each calendar month during the Term, except that the first (1st) monthly installment of Fixed Annual Rent shall be paid by Tenant upon its execution of this Lease. All sums other than Fixed Annual Rent payable hereunder shall be deemed to be "Additional Rent" and shall be payable on demand, unless other payment dates are hereinafter provided. Tenant shall pay all Fixed Annual Rent and Additional Rent due hereunder at the office of Landlord or such other place as Landlord may designate, payable in United States legal tender, by cash, or by good and sufficient check drawn on a New York City bank which is a member of the New York Clearing House or a successor thereto, and without any set off or deduction whatsoever. The term "Rent" as used in this Lease shall mean Fixed Annual Rent and Additional Rent. Landlord may apply payments made by Tenant towards the payment of any item of Fixed Annual Rent and/or Additional Rent payable hereunder notwithstanding any designation by Tenant as to the items against which any such payment should be credited.

ARTICLE 4

ASSIGNMENT/SUBLETTING

4.01 Neither Tenant nor Tenant's legal representatives or successors in interest by operation of law or otherwise, shall assign, mortgage or otherwise encumber this Lease, or sublet or permit all or part of the Premises to be used by others, without the prior written consent of Landlord in each instance. The transfer of a majority of the issued and outstanding capital stock of any corporate tenant or sublessee of this Lease or a majority of the total interest in any partnership tenant or sublessee or company, however accomplished, and whether in a single transaction or in a series of related or unrelated transactions, the conversion of a tenant or sublessee entity to either a limited liability company or a limited liability partnership or the merger or consolidation of a corporate tenant or sublessee, shall be deemed an assignment of this Lease or of such sublease. If

this Lease is assigned, or if the Premises or any part thereof is underlet or occupied by anybody other than Tenant, Landlord may, after default by Tenant, collect rent from the assignee, undertenant or occupant, and apply the net amount collected to the rent herein reserved, but no assignment, underletting, occupancy or collection shall be deemed a waiver of the provisions hereof, the acceptance of the assignee, undertenant or occupant as tenant, or a release of Tenant from the further performance by Tenant of covenants on the part of Tenant herein contained. The consent by Landlord to an assignment or underletting shall not in any way be construed to relieve Tenant from obtaining the express consent in writing of Landlord to any further assignment or underletting. In no event shall any permitted sublessee assign or encumber its sublease or further sublet all or any portion of its sublet space, or otherwise suffer or permit the sublet space or any part thereof to be used or occupied by others, without Landlord's prior written consent in each instance. A modification, amendment or extension of a sublease shall be deemed a sublease. The listing of the name of a party or entity other than that of Tenant on the Building or floor directory or on or adjacent to the entrance door to the Premises shall neither grant such party or entity any right or interest in this Lease or in the Premises nor constitute Landlord's consent to any assignment or sublease to, or occupancy of the Premises by, such party or entity. If any lien is filed against the Premises or the Building of which the same form a part for brokerage services claimed to have been performed for Tenant in connection with any such assignment or sublease, whether or not actually performed, the same shall be discharged within ten (10) days thereafter, at Tenant's expense, by filing the bond required by law, or otherwise, and paying any other necessary sums, and Tenant agrees to indemnify Landlord and its agents and hold them harmless from and against any and all claims, losses or liability resulting from such lien for brokerage services rendered. For a period not to exceed ninety (90) days from Landlord’s receipt of notice from Tenant that Tenant seeks to locate or otherwise identify a proposed subleasee or assignee for all or a portion of the Premises, or any revision or modification of such notice, Tenant hereby grants Landlord’s rental agent for the Building, or such other licensed real estate broker as shall be designated by Landlord from time-to-time (the “Designated Agent”), the sole and exclusive right to effect any sublet, assignment, release and other disposition of all or any part of the demised Premises and any other space Tenant has under lease elsewhere in the Building (provided, however, that Tenant acknowledges and agrees that such Designated Agent from time to time may be obligated to endeavor to rent competitive space available in the Building on behalf of and pursuant to the instructions of Landlord or another tenant of the Building) and Tenant shall pay to such Designated Agent upon execution of each such sublease, assignment, release or other disposition a commission computed in accordance with such Designated Agent’s standard rates and rules then in effect for the locality in which the Building is located.

4.02 If Tenant desires to assign this Lease or to sublet all or any portion of the Premises other than pursuant to Section 4.09 hereof, it shall first submit in writing to Landlord the documents described in Section 4.06 hereof, and shall offer in writing (“Tenant’s Recapture Offer”), (i) with respect to a prospective assignment, to assign this Lease to Landlord without any payment of moneys or other consideration therefor, or, (ii) with respect to a prospective subletting, to sublet to Landlord the portion of the Premises involved (“Leaseback Area") for the term specified by Tenant in its proposed sublease or, at Landlord's option for the balance of the term of the Lease less one (1) day, and at the lower of (a) Tenant's proposed subrental or (b) the rate of Fixed Annual Rent and Additional Rent, and otherwise on the same terms, covenants and conditions (including provisions relating to escalation rents), as are contained herein and as are

allocable and applicable to the portion of the Premises to be covered by such subletting. Tenant's Recapture Offer shall specify the date when the Leaseback Area will be made available to Landlord, which date shall be in no event earlier than forty-five (45) days nor later than ninety (90) days following the acceptance of Tenant's Recapture Offer (the "Recapture Date"). If an offer of sublease is made, and if the proposed sublease will result in all or substantially all of the Premises being sublet, then Landlord shall have the option to extend the term of its proposed sublease for the balance of the term of this Lease less one (1) day. Landlord shall have a period of forty-five(45) days from the receipt of such Tenant's Recapture Offer to either accept or reject Tenant's Recapture Offer or to terminate this Lease.

4.03. If Landlord exercises its option to terminate this Lease, then (i) the term of this Lease shall end at the election of Landlord either (x) on the date that such assignment or sublet was to become effective or commence, as the case may be, or (y) on the Recapture Date and (ii) Tenant shall surrender to Landlord and vacate the Premises on or before such date in the same condition as is otherwise required upon the expiration of this Lease by its terms, (iii) the Rent and Additional Rent due hereunder shall be paid and apportioned to such date, and (iv) Landlord shall be free to lease the Premises (or any portion thereof) to any individual or entity including, without limitation, Tenant's proposed assignee or subtenant.

4.04. If Landlord shall accept Tenant's Recapture Offer (i) Tenant shall then execute and deliver to Landlord, or to anyone designated or named by Landlord, an assignment or sublease, as the case may be, in either case in a form reasonably satisfactory to Landlord's counsel; and (ii) Tenant, on demand, shall pay to Landlord or its managing agent (as Landlord shall elect) an amount equal to the brokerage commissions if any, which would have been otherwise incurred by Tenant but for Landlord's accepting Tenant's Recapture Offer.

If a sublease is so made it shall expressly:

(i) permit Landlord to make further subleases of all or any part of the Leaseback Area and (at no cost or expense to Tenant) to make and authorize any and all changes, alterations, installations and improvements in such space as necessary;

(ii) provide that Tenant will at all times permit reasonably appropriate means of ingress to and egress from the Leaseback Area;

(iii) negate any intention that the estate created under such sublease be merged with any other estate held by either of the parties;

(iv) provide that Landlord shall accept the Leaseback Area "as is" except that Landlord, at Tenant's expense, shall perform all such work and make all such alterations as may be required physically to separate the Leaseback Area from the remainder of the Premises and to permit lawful occupancy, it being intended that Tenant shall have no other cost or expense in connection with the subletting of the Leaseback Area;

(v) provide that at the expiration of the term of such sublease Tenant will accept the Leaseback Area in its then existing condition, subject to the obligations of Landlord to make

such repairs thereto as may be necessary to preserve the Leaseback Area in good order and condition, ordinary wear and tear excepted.

4.05 Landlord shall indemnify and save Tenant harmless from all obligations under this Lease as to the Leaseback Area during the period of time it is so sublet, except for Fixed Annual Rent and Additional Rent, if any, due under the within Lease, which are in excess of the rents and additional sums due under such sublease. Subject to the foregoing, performance by Landlord, or its designee, under a sublease of the Leaseback Area shall be deemed performance by Tenant of any similar obligation under this Lease and any default under any such sublease shall not give rise to a default under a similar obligation contained in this Lease, nor shall Tenant be liable for any default under this Lease or deemed to be in default hereunder if such default is occasioned by or arises from any act or omission of the tenant under such sublease or is occasioned by or arises from any act or omission of any occupant holding under or pursuant to any such sublease. Notwithstanding anything contained to the contrary in this Lease, at the end of the Term, Tenant shall not be obligated for the cost of or for the physical removal of any alterations made in the Leaseback Area by Landlord or Landlord's subtenants.

4.06 Whether or not Landlord's consent is required to a specific assignment or sublease, Tenant shall submit in writing to Landlord (i) the name and address of the proposed assignee or sublessee, (ii) a fully negotiated terms sheet, including all of the material term of the agreement and not subject to further negotiation of the proposed agreement of assignment or sublease, (iii) reasonably satisfactory information as to the nature and character of the business of the proposed assignee or sublessee and as to the nature of its proposed use of the space, and (iv) banking, financial or other credit information relating to the proposed assignee or sublessee reasonably sufficient to enable Landlord to determine the financial responsibility and character of the proposed assignee or sublessee.

4.07. If Landlord shall not have accepted Tenant's Recapture Offer and Landlord shall not have terminated this Lease, as provided for in Section 4.02 hereof, then Landlord will not unreasonably withhold or delay its consent to Tenant's request for consent to such specific assignment or subletting for the use permitted under this Lease within the forty-five (45) day period as provided in Section 4.02 of this Article, provided that:

(i) The Premises shall not, without Landlord's prior consent, have been listed or otherwise publicly advertised for assignment or subletting at a rental rate lower than the higher of (a) the Fixed Annual Rent and all Additional Rent then payable, or (b) the then prevailing rental rate for other space in the Building the foregoing will not, however, prevent Tenant from actually subleasing or assigning the Premises for less than (a) the Fixed Annual Rent and all Additional Rent then payable, or (b) the then prevailing rental rate for other space in the Building, pursuant to the terms of this Lease;

(ii) The proposed assignee or subtenant shall have a financial standing, be of a character, be engaged in a business, and propose to use the Premises, in a manner consistent with the permitted use and in keeping with the standards of the Building;

(iii) The proposed assignee or subtenant shall not then be a tenant, subtenant, assignee or occupant of any space in the Building, nor shall the proposed assignee or subtenant be a person or entity who has dealt with Landlord or Landlord's agent (directly or through a broker) with respect to space in the Building during the three (3) months immediately preceding Tenant's request for Landlord's consent and provided that there is then no other comparable space available for leasing in the Building;

(iv) The character of the business to be conducted in the Premises by the proposed assignee or subtenant shall not be likely to increase, by more than a de minimus amount, operating expenses or the burden on existing cleaning services, elevators or other services and/or systems of the Building;

(v) In case of a subletting, the subtenant shall be expressly subject to all of the obligations of Tenant under this Lease and the further condition and restriction that such sublease shall not be assigned, encumbered or otherwise transferred or the Premises further sublet by the subtenant in whole or in part, or any part thereof suffered or permitted by the subtenant to be used or occupied by others, without the prior written consent of Landlord in each instance;

(vi) No subletting shall end later than one (1) day before the Expiration Date nor shall any subletting be for a term of less than two (2) years unless it commences less than two (2) years before the Expiration Date;

(vii) At no time shall there be more than two (2) occupants, including Tenant, in the Premises;

(viii) Tenant shall reimburse Landlord on demand for any reasonable costs, including attorneys' fees and disbursements, that may be incurred by Landlord in connection with said assignment or sublease;

(ix) The character of the business to be conducted in the Premises by the proposed assignee or subtenant shall not require any alterations, installations, improvements, additions or other physical changes (other than changes to signage) to be performed, or made to, any portion of the Building or the Real Property other than the Premises; and

(x) The proposed assignee or subtenant shall not be any entity which is entitled to diplomatic or sovereign immunity or which is not subject to service of process in the State of New York or to the jurisdiction of the courts of the State of New York and the United States located in New York County.

4.08 Any consent of Landlord under this Article shall be subject to the terms of this Article and conditioned upon there being no default by Tenant, beyond any grace period, under any of the terms, covenants and conditions of this Lease at the time that Landlord's consent to any such subletting or assignment is requested and on the date of the commencement of the term of any proposed sublease or the effective date of any proposed assignment. Tenant acknowledges and agrees that no assignment or subletting shall be effective unless and until Tenant, upon receiving any necessary Landlord's written consent (and unless it was theretofore delivered to

Landlord) causes a duly executed copy of the sublease or assignment to be delivered to Landlord within ten (10) days after execution thereof. Any such sublease shall provide that the sublessee shall comply with all applicable terms and conditions of this Lease to be performed by the Tenant hereunder. Any such assignment of this Lease shall contain an assumption by the assignee of all of the terms, covenants and conditions of this Lease to be performed by the Tenant.

4.09. A. Anything hereinabove contained to the contrary notwithstanding, Landlord's consent shall not be required and Landlord's right of recapture and/or termination, as otherwise provided for in this Article 4, shall not apply in the event of an assignment of this Lease, or sublease of all or part of the Premises, to the parent of Tenant or to a wholly-owned subsidiary or affiliate of Tenant or of said parent of Tenant, provided that the net worth of transferor or sublessor, after such transaction, is not less than its net worth as of (a) the Commencement Date or (b) the day immediately prior to such transaction, whichever is greater, and provided also that Landlord receives prior written notice thereof including reasonable supporting documentation regarding all of the foregoing and finally provided that any such transaction complies with the other provisions of this Article .

B. Anything hereinabove contained to the contrary notwithstanding, Landlord's consent shall not be required and Landlord's right of recapture and/or termination, as otherwise provided for in this Article 4, shall not apply in the event of an assignment of this Lease, or sublease of all or part of the Premises, to any corporation (i) to which substantially all the assets of Tenant are transferred or (ii) into which Tenant may be merged or consolidated, provided that the net worth, experience and reputation of such transferee or of the resulting or surviving corporation, as the case may be, is equal to or greater than the net worth experience and reputation of Tenant and of any guarantor of this Lease (if applicable) immediately prior to such transfer and provided, also, that any such transaction complies with the other provisions of this Article.

4.10 If Landlord shall not have accepted Tenant's Recapture Offer hereunder and Landlord has not elected to terminate this Lease, and Tenant effects any assignment or subletting (other than pursuant to Section 4.09 above), then Tenant thereafter shall pay to Landlord a sum equal to fifty (50%) percent of (a) any rent or other consideration payable to Tenant by any subtenant (after deducting the cost of Tenant, if any, in effecting the subletting or assignment, for reasonable alteration costs, advertising expenses, brokerage commissions and legal fees) which is in excess of the rent allocable to the subleased space which is then being paid by Tenant to Landlord pursuant to the terms hereof, and (b) any other profit or gain realized by Tenant (after deducting the cost of Tenant, if any, in effecting the subletting or assignment, for reasonable alteration costs, advertising expenses, brokerage commissions and legal fees not previously deducted above) from any such subletting or assignment. The foregoing amounts shall be payable to Landlord only if, as and when, the same are received by Tenant from said assignee or sublessee.

4.11. In no event shall Tenant be entitled to make, nor shall Tenant make, any claim, and Tenant hereby waives any claim, for money damages (nor shall Tenant claim any money damages by way of set-off, counterclaim or defense) based upon any claim or assertion by Tenant that Landlord has unreasonably withheld or unreasonably delayed its consent or approval to

a proposed assignment or subletting as provided for in sections 4.02 and 4.07 of this Article. Tenant's sole remedy shall be an action or proceeding to enforce any such provision, or for specific performance, injunction or declaratory judgment.

4.12 Notwithstanding anything to the contrary herein contained, Tenant shall be permitted to license up to twenty five (25%) percent of the Premises for "desk space for uses permitted under this Lease only, provided that (i) any such offices or workstations do not have separate entrances to the public corridor, (ii) Landlord is delivered advance notice of each such licensing including, without limitation, the name, address and bank references of each such licensee and the material terms and conditions of each such license, and (iii) each such license otherwise complies with the provisions of this Lease.

ARTICLE 5

DEFAULT

5.01 Landlord may terminate this Lease on five (5) days' notice: (a) if Fixed Annual Rent or Additional Rent is not paid within five (5) days after written notice from Landlord; or (b) if Tenant shall have failed to cure a default in the performance of any covenant of this Lease (except the payment of Rent), or any rule or regulation hereinafter set forth, within fifteen (15) days after written notice thereof from Landlord, or if default cannot be completely cured in such time, if Tenant shall not promptly proceed to cure such default within said fifteen (15) days, or shall not complete the curing of such default with due diligence; or (c) when and to the extent permitted by law, if a petition in bankruptcy shall be filed by or against Tenant or if Tenant shall make a general assignment for the benefit of creditors, or receive the benefit of any insolvency or reorganization act; or (d) if a receiver or trustee is appointed for any portion of Tenant's property and such appointment is not vacated within twenty-five (25) days; or (e) if an execution or attachment shall be issued under which the Premises shall be taken or occupied or attempted to be taken or occupied by anyone other than Tenant; or (f) if the Premises become and remain deserted for a period of fifteen (15) days; or (g) if Tenant shall default beyond any grace period under any other lease between Tenant and Landlord. At the expiration of the five (5) day notice period, this Lease and any rights of renewal or extension thereof shall terminate as completely as if that were the date originally fixed for the expiration of the Term of this Lease, but Tenant shall remain liable as hereinafter provided.

5.02 In the event that Tenant is in arrears for Fixed Annual Rent or any item of Additional Rent, Tenant waives its right, if any, to designate the items against which payments made by Tenant are to be credited and Landlord may apply any payments made by Tenant to any items which Landlord in its sole discretion may elect irrespective of any designation by Tenant as to the items against which any such payment should be credited.

5.03 Tenant shall not seek to remove and/or consolidate any summary proceeding brought by Landlord with any action commenced by Tenant in connection with this Lease or Tenant's use and/or occupancy of the Premises.

5.04 In the event of a default by Landlord hereunder, no property or assets of Landlord, or any principals, shareholders, officers, directors, partners or members of Landlord, whether disclosed or undisclosed, other than the Building in which the Premises are located and the land upon which the Building is situated, shall be subject to levy, execution or other enforcement procedure for the satisfaction of Tenant's remedies under or with respect to this Lease, the relationship of Landlord and Tenant hereunder or Tenant's use and occupancy of the Premises.

ARTICLE 6

RELETTING, ETC.

6.01 If Landlord shall re-enter the Premises on the default of Tenant, by summary proceedings or otherwise: (a) Landlord may re-let the Premises or any part thereof, as Tenant's agent, in the name of Landlord, or otherwise, for a term shorter or longer than the balance of the term of this Lease, and may grant concessions or free rent; (b) Tenant shall pay Landlord any deficiency between the rent hereby reserved and the net amount of any rents collected by Landlord for the remaining term of this Lease, through such re-letting. Such deficiency shall become due and payable monthly, as it is determined. Landlord shall have no obligation to re-let the Premises, and its failure or refusal to do so, or failure to collect rent on re-letting, shall not affect Tenant's liability hereunder. In computing the net amount of rents collected through such re-letting, Landlord may deduct all expenses incurred in obtaining possession or re-letting the Premises, including legal expenses and fees, brokerage fees, the cost of restoring the Premises to good order, and the cost of all alterations and decorations deemed necessary by Landlord to effect re-letting. In no event shall Tenant be entitled to a credit or repayment for rerental income which exceeds the sums payable by Tenant hereunder or which covers a period after the original term of this Lease; (c) Tenant hereby expressly waives any right of redemption granted by any present or future law. "Re-enter" and "re-entry" as used in this Lease are not restricted to their technical legal meaning. In the event of a breach or threatened breach of any of the covenants or provisions hereof, Landlord shall have the right of injunction. Mention herein of any particular remedy shall not preclude Landlord from any other available remedy; (d) Landlord shall recover as liquidated damages, in addition to accrued rent and other charges, if Landlord's re-entry is the result of Tenant's bankruptcy, insolvency, or reorganization, the full rental for the maximum period allowed by any act relating to bankruptcy, insolvency or reorganization.

6.02 If Landlord re-enters the Premises for any cause, or if Tenant abandons the Premises, or after the expiration of the term of this Lease, any property left in the Premises by Tenant shall be deemed to have been abandoned by Tenant, and Landlord shall have the right to retain or dispose of such property in any manner without any obligation to account therefor to Tenant. If Tenant shall at any time default hereunder, and if Landlord shall institute an action or summary proceeding against Tenant based upon such default in which Landlord prevails, then Tenant will reimburse Landlord for the legal expenses and fees thereby incurred by Landlord.

ARTICLE 7

LANDLORD MAY CURE DEFAULTS

7.01 If Tenant shall default in performing any covenant or condition of this Lease after notice and beyond any applicable cure period, Landlord may perform the same for the account of Tenant, and if Landlord, in connection therewith, or in connection with any default by Tenant, makes any expenditures or incurs any obligations for the payment of money, including but not limited to reasonable attorney's fees, such sums so paid or obligations incurred shall be deemed to be Additional Rent hereunder, and shall be paid by Tenant to Landlord within fifteen (15) days of rendition of any bill or statement therefor, and if Tenant's lease term shall have expired at the time of the making of such expenditures or incurring of such obligations, such sums shall be recoverable by Landlord as damages.

ARTICLE 8

ALTERATIONS

8.01 Tenant shall make no alteration, addition or improvement in the Premises, without the prior written consent of Landlord which consent shall not be unreasonably withheld, conditioned or delayed, and then only by contractors or mechanics and in such manner and time, and with such materials, as reasonably approved by Landlord. All alterations, additions or improvements to the Premises, including air-conditioning equipment and duct work, except movable office furniture (including movable partitions) and trade equipment installed at the expense of Tenant, shall, unless Landlord elects otherwise in writing, become the property of Landlord, and shall be surrendered with the Premises, at the expiration or sooner termination of the term of this Lease. Any such alterations, additions and improvements which Landlord shall designate at the time Landlord grants its consent to the installation of same shall be removed by Tenant and any damage repaired, at Tenant's expense, prior to the expiration of this Lease. Notwithstanding anything contained herein to the contrary, Tenant shall not be required to obtain Landlord's prior written consent or approval for any nonstructural, purely decorative, interior improvements to the Premises (including painting, carpeting or the installation of wall coverings) provided, however that said improvements do not consist of changes or modifications to any Building plumbing, electrical, air conditioning or other Building wide systems.

8.02 Anything hereinabove to the contrary notwithstanding, Landlord will not unreasonably withhold or delay approval of written requests of Tenant to make nonstructural interior alterations (which are not purely decorative as described in Article 8.01 above), additions and improvements (herein referred to as "Alterations") in the Premises, provided that such Alterations do not affect utility services or plumbing and electrical lines or other systems of the Building and do not affect and are not visible from any portion of the Building outside of the Premises. All Alterations shall be performed in accordance with the following conditions:

(i) Prior to the commencement of any Alterations costing more than $15,000.00, Tenant shall first submit to Landlord for its approval detailed dimensioned

coordinated plans and specifications, including layout, architectural, mechanical, electrical, plumbing and structural drawings for each proposed Alteration. Landlord shall be given, in writing, a good description of all other Alterations.

(ii) All Alterations in and to the Premises shall be performed in a good and workmanlike manner and in accordance with the Building's rules and regulations governing Tenant Alterations. Prior to the commencement of any such Alterations, Tenant shall, at its sole cost and expense, obtain and exhibit to Landlord any governmental permit required in connection with such Alterations. In order to compensate Landlord for its general conditions and the costs incurred by Landlord in connection with Tenant's performance of Alterations in and/or to the Premises (including, without limitation, the costs actually incurred by Landlord and paid to independent third parties in connection with the coordination of Alterations which may affect systems or services of the Building or portions of the Building outside of the Premises), Tenant shall pay to Landlord a fee equal to five (5%) percent of the cost of such Alterations, however, notwithstanding anything contained herein to the contrary, the aforementioned fee shall not exceed the sum of $1,500.00 for any such single plan for Alterations. Such fee shall be paid by Tenant as Additional Rent hereunder within ten (10) days following receipt of an invoice therefor.

(iii) All Alterations shall be done in compliance with all other applicable provisions of this Lease and with all applicable laws, ordinances, directions, rules and regulations of governmental authorities having jurisdiction, including, without limitation, the Americans with Disabilities Act of 1990 and New York City Local Law No. 57/87 and similar present or future laws, and regulations issued pursuant thereto, and also New York City Local Law No. 76 and similar present or future laws, and regulations issued pursuant thereto, on abatement, storage, transportation and disposal of asbestos and other hazardous materials, which work, if required, shall be effected at Tenant's sole cost and expense, by contractors and consultants approved by Landlord and in strict compliance with the aforesaid rules and regulations and with Landlord's rules and regulations thereon. Any changes required by Tenant's p[articular manner of use of the Premises (as opposed to general office use) shall be paid for by Tenant.

(iv) All work shall be performed by duly licensed and insured professionals whose presence at the Premises or the Building will not result in any labor unrest, dispute, slowdown, strike or disharmony whatsoever by labor rendering or scheduled to render services at or within, or delivering goods or materials to the Building, in which event Tenant shall immediately and permanently cease its use of the professional(s) whose presence at the Premises or the Building was the basis for such unrest, slowdown or strike. Notwithstanding anything contained herein to the contrary, if the use by Tenant of any contractor, subcontractor, vendor, supplier or any other party causes or threatens to cause or create any work stoppage, picketing, labor disruption, dispute or disharmony of any nature whatsoever, Tenant shall immediately discontinue the use of such party and take such other remedial measures as may be necessary in order to restore labor harmony.

(v) Tenant shall keep the Building and the Premises free and clear of all liens for any work or material claimed to have been furnished to Tenant or to the Premises.

(vi) Prior to the commencement of any work by or for Tenant, Tenant shall furnish to Landlord certificates evidencing the existence of the following insurance:

(a) Workmen's compensation insurance covering all persons employed for such work and with respect to whom death or bodily injury claims could be asserted against Landlord, Tenant or the Premises.

(b) Broad form general liability insurance written on an occurrence basis naming Tenant as an insured and naming Landlord and its designees as additional insureds, with limits of not less than $3,000,000 combined single limit for personal injury in any one occurrence, and with limits of not less than $500,000 for property damage (the foregoing limits may be revised from time to time by Landlord to such higher limits as Landlord from time to time reasonably requires). Tenant, at its sole cost and expense, shall cause all such insurance to be maintained at all time when the work to be performed for or by Tenant is in progress. All such insurance shall be obtained from a company authorized to do business in New York and shall provide that it cannot be canceled without thirty (30) days prior written notice to Landlord. All polices, or certificates therefor, issued by the insurer and bearing notations evidencing the payment of premiums, shall be delivered to Landlord. Blanket coverage shall be acceptable, provided that coverage meeting the requirements of this paragraph is assigned to Tenant's location at the Premises.

(vii) In granting its consent to any Alteration, Landlord may impose such conditions as to guarantee of completion (including, without limitation, requiring Tenant to temporarily post additional security or a bond to insure the completion of such Alterations, payment, restoration or otherwise), as Landlord may reasonably require.

(viii) All work to be performed by Tenant shall be done in a manner which will not interfere with or disturb other tenants and occupants of the Building.

(xi) The review and/or approval by Landlord, its agents, consultants and/or contractors, of any Alteration or of plans and specifications therefor and the coordination of such Alteration work with the Building, as described in part above, are solely for the benefit of Landlord, and neither Landlord nor any of its agents, consultants or contractors shall have any duty toward Tenant; nor shall Landlord or any of its agents, consultants and/or contractors be deemed to have made any representation or warranty to Tenant, or have any liability, with respect to the safety, adequacy, correctness, efficiency or compliance with laws of any plans and specifications, Alterations or any other matter relating thereto.

(x) Promptly following the substantial completion of any Alterations, Tenant shall submit to Landlord: (a) one (1) sepia and one (1) copy on floppy disk (using a current version of Autocad or such other similar software as is then commonly in use) of final, “as-built” plans for the Premises showing all such Alterations and demonstrating that such Alterations were performed substantially in accordance with plans and specifications first approved by Landlord and (b) an itemization of Tenant’s total construction costs, detailed by contractor, subcontractors, vendors and materialmen; bills, receipts, lien waivers and releases from all contractors, subcontractors, vendors and materialmen; architects' and Tenant's certification of completion, payment and acceptance, and all governmental approvals and confirmations of completion for such Alterations.

ARTICLE 9

LIENS

9.01 Prior to commencement of its work in the Premises, Tenant shall obtain and deliver to Landlord a written letter of authorization, in form satisfactory to Landlord's counsel, signed by all architects, engineers and designers to become involved in such work, which shall confirm that any of their drawings or plans are to be removed from any filing with governmental authorities on request of Landlord, in the event that said architect, engineer or designer thereafter no longer is providing services with respect to the Premises. With respect to contractors, subcontractors, materialmen and laborers, and architects, engineers and designers, for all work or materials to be furnished to Tenant at the Premises, Tenant agrees to obtain and deliver to Landlord written and unconditional waiver of mechanics liens upon the Premises or the Building after payments to the contractors, etc., subject to any then applicable provisions of the Lien Law. Notwithstanding the foregoing, Tenant at its expense shall cause any lien filed against the Premises or the Building, for work or materials claimed to have been furnished to Tenant, to be discharged of record within ten (10) days after notice thereof.

ARTICLE 10

REPAIRS

10.01 Tenant shall take good care of the Premises and the fixtures and appurtenances therein, and shall make all non-structural repairs necessary to keep them in good working order and condition, and all structural repairs when those are necessitated by the act, omission, carelessness, improper conduct or negligence of Tenant or its agents, employees, invitees or contractors, subject to the provisions of Article 11 hereof. During the term of this Lease, Tenant may have the use of any air-conditioning equipment servicing the Premises, subject to the provisions of Article 35 of this Lease, and shall reimburse Landlord, in accordance with Article 41 of this Lease, for electricity consumed by the equipment. The exterior walls and roofs of the Building, the mechanical rooms, service closets, shafts, areas above any hung ceiling and the windows and the portions of all window sills outside same are not part of the Premises demised by this Lease, and Landlord hereby reserves all rights to such parts of the Building. Tenant shall not paint, alter, drill into or otherwise change the appearance of the windows including, without limitation, the sills, jambs, frames, sashes, and meeting rails.

10.02 Landlord shall maintain and repair the structural portions of the Building and all Building systems and equipment up to the point of entry to the Premises, at its cost and expense, except where the need for such maintenance or repairs is caused by the negligence or willful misconduct of Tenant, its members, partners, directors, officers, employees, representatives, servants, invitees, permitted subtenant or permitted licensees, in which event such maintenance and repair shall be performed at Tenant’s cost and expense, payable as additional rent hereunder.

ARTICLE 11

FIRE OR OTHER CASUALTY

11.01 Damage by fire or other casualty to the Building and to the core and shell of the Premises (excluding the tenant improvements and betterments and Tenant's personal property) shall be repaired with due diligence at the expense of Landlord ("Landlord's Restoration Work"), but without prejudice to the rights of subrogation, if any, of Landlord's insurer to the extent not waived herein. Landlord shall not be required to repair or restore any of Tenant's property or any alteration, installation or leasehold improvement made by Tenant in and/or to the Premises. If, as a result of such damage to the Building or to the core and shell of the Premises, the Premises are rendered untenantable, the Rent shall abate in proportion to the portion of the Premises not usable by Tenant from the date of such fire or other casualty until Landlord's Restoration Work is substantially completed. Landlord shall not be liable to Tenant for any delay in performing Landlord's Restoration Work, for so long as Landlord proceeds in a diligently and in a commercially reasonable manner Tenant's sole remedy being the right to an abatement of Rent, as provided above. Tenant shall cooperate with Landlord in connection with the performance by Landlord of Landlord's Restoration Work. If the Premises are rendered wholly untenantable by fire or other casualty and if Landlord shall decide not to restore the Premises, or if the Building shall be so damaged that Landlord shall decide to demolish it or not to rebuild it (whether or not the Premises have been damaged), Landlord may within ninety (90) days after such fire or other cause give written notice to Tenant of its election that the term of this Lease shall automatically expire no less than ten (10) days after such notice is given. Notwithstanding the foregoing, each party shall look first to any insurance in its favor before making any claim against the other party for recovery for loss or damage resulting from fire or other casualty, and to the extent that such insurance is in force and collectible and to the extent permitted by law, Landlord and Tenant each hereby releases and waives all right of recovery against the other or any one claiming through or under each of them by way of subrogation or otherwise. The foregoing release and waiver shall be in force only if both releasors' insurance policies contain a clause providing that such a release or waiver shall not invalidate the insurance and also, provided that such a policy can be obtained without additional premiums. Tenant hereby expressly waives the provisions of Section 227 of the Real Property Law and agrees that the foregoing provisions of this Article shall govern and control in lieu thereof.

11.02 In the event that the Premises has been damaged or destroyed and this Lease has not been terminated in accordance with the provisions of this Article, Tenant shall (i) cooperate with Landlord in the restoration of the Premises and shall remove from the Premises as promptly as reasonably possible all of Tenant's salvageable inventory, movable equipment, furniture and other property and (ii) repair the damage to the tenant improvements and betterments and Tenant's personal property and restore the Premises within one hundred eighty (180) days following the date upon which the core and shell of the Premises shall have been substantially repaired by Landlord.

11.03. In the event that the Premises and/or access thereto are rendered substantially untenantable or unusable, as the case may be, due to fire or other casualty during the last year of the Term of this Lease and/or Landlord has not restored or repaired the Premises or

access thereto, as the case may be, within one hundred and eighty (180) days after such fire or casualty then, and in such event, Tenant may elect to cancel this Lease upon written notice to Landlord within thirty (30) days after the end of such one hundred and eighty (180) day period and the term of this Lease shall expire on the date set forth therein which shall be not less than ten (10) days after the date such notice is given (the "Cancellation Date") provided that Tenant surrenders to Landlord possession of the Premises on or before the Cancellation Date.

ARTICLE 12

END OF TERM

12.01 Tenant shall surrender the Premises to Landlord at the expiration or sooner termination of this Lease in good order and condition, except for reasonable wear and tear and damage by fire or other casualty, and Tenant shall remove all of its property. Tenant agrees it shall indemnify and save Landlord harmless against all costs, claims, loss or liability resulting from delay by Tenant in so surrendering the Premises, including, without limitation, any claims made by any succeeding tenant founded on such delay. The parties recognize and agree that the damage to Landlord resulting from any failure by Tenant timely to surrender the Premises will be substantial, will exceed the amount of monthly Rent theretofore payable hereunder, and will be impossible of accurate measurement. Tenant therefore agrees that if possession of the Premises is not surrendered to Landlord within one (1) day after the date of the expiration or sooner termination of the Term of this Lease, then Tenant will pay Landlord as liquidated damages for each month and for each portion of any month during which Tenant holds over in the Premises after expiration or termination of the Term of this Lease, a sum equal to two (2) times the average Rent and Additional Rent which was payable per month under this Lease during the last six months of the Term thereof. The aforesaid obligations shall survive the expiration or sooner termination of the Term of this Lease. At any time during the Term of this Lease, Landlord may exhibit the Premises to prospective purchasers or mortgagees of Landlord's interest therein. During the last year of the term of this Lease, Landlord may exhibit the Premises to prospective tenants.

ARTICLE 13

SUBORDINATION AND ESTOPPEL, ETC.

13.01 This Lease is and shall be subject and subordinate to all present and future ground leases, underlying leases and to all subleases of the entire premises demised by that certain ground lease (hereinafter referred to as the “Mesne Lease”) dated December 30, 1957 and recorded in the office of the Register of the City of New York in the County of New York on December 31, 1957, in Liber 5024 of Conveyances, Page 430 of which the premises hereby demised form a part (the Mesne Lease and any or all present and future ground leases underlying leases and subleases of the entire premises demised by the Mesne Lease are hereunder referred to as the "ground leases" and the lessors and lessees thereunder are hereinafter referred to respectively as the "ground lessors" and "ground lessees") and to all renewals, modifications,

replacements and extensions of the ground leases, and to all present and future mortgages affecting such ground leases (such mortgages are hereinafter referred to as the "mortgages" and the mortgagees thereunder are hereinafter referred to as the "the mortgagees") including, without limitation, that certain Amended and Restated Indenture of Leasehold Mortgage, Security Agreement, Financing Statement, Fixture Filing and Assignment of Leases, Rents and Security Deposits, dated as of May 21, 1999 by and between SLG Graybar Mesne Lease LLC and SLG Graybar Sublease LLC, as mortgagor, and German American Capital Corporation, as mortgagee, and to all renewals, modifications, replacements and extensions of the mortgages.

13.02 Notwithstanding the subordination of this Lease to all ground leases and mortgages, this Lease shall not terminate or be terminable by Tenant by reason of the expiration or earlier termination or cancellation of any ground lease in accordance with its terms or by reason of the foreclosures of any mortgage, except that this lease may be terminated if Tenant is named as a party and served with process in a summary or other proceeding brought by the lessor under the Mesne Lease (hereinafter referred to as the "Mesne Lessor") for the possession of the premises demised by the Mesne Lease or the space occupied by Tenant, or in such proceeding brought with the written consent of the Mesne Lessor delivered to Tenant, and a final order or judgment is entered, and a warrant for possession of such space issued and executed against the defendants or respondents in such proceedings.

13.03 Tenant agrees that if this Lease terminates, expires or is canceled for any reason or by any means whatsoever (other than by a summary or other proceeding brought by the Mesne Lessor or with the Mesne Lessor's written consent delivered to Tenant, in which summary or other proceeding Tenant is made a party and in which a final order or judgment is entered and warrant for possession is issued and executed against Tenant) and Mesne Lessor or a ground lessor so elects by written notice to Tenant, this lease shall automatically be reinstated for the balance of the term which would have remained but for such termination, expiration or cancellation, at the same rental, and upon the same agreements, covenants, conditions, restrictions and provisions herein contained, with the same rental, and upon the same agreements, covenants, conditions, restrictions and provisions herein contained, with the same force and effect as if no such termination, expiration or cancellation had taken place. Tenant covenants to execute and deliver any instrument required to confirm the validity of the foregoing. Anything herein contained to the contrary notwithstanding, this lease shall not be deemed to be automatically reinstated as aforesaid, nor shall Tenant be obligated to execute and deliver any instrument confirming such reinstatement, if Tenant has delivered to the Mesne Lessor and any ground lessor so electing a notice that in Tenant's option this lease has so terminated, expired or been canceled, and neither the Mesne Lessor nor such other ground lessor has, within thirty (30) days after receipt of such notice from Tenant, delivered notice to Tenant of its election automatically to reinstate this lease.

13.04 Tenant hereby consents to any and all assignment of Landlord's interest in this Lease to any ground lessor or mortgagee as collateral security for the payment of the ground rent or monies due under any mortgage. Tenant agrees to attorn to and pay rent to any such ground lessor's or mortgagee in accordance with the provisions of any such assignment.

13.05 Tenant agrees that no act, or failure to act, on the part of Landlord, which would entitle Tenant under the terms of this Lease, or by law to be relieved of Tenant's obligations

hereunder or to terminate this lease, shall result in a release or termination of such obligations or termination of this lease unless (i) Tenant shall have first given written notice of Landlord's act or failure to act to the ground lessors under all then existing ground leases of which Tenant has been given prior written notice, to all then existing mortgagees who have requested such notice from Tenant, and to Midland Loan Services, Inc., as mortgagee, at (i) 10851 Mastin, Overland Park, Kansas 66210, Attn.: Philip Frost, Vice President/Portfolio Management, specifying the act or failure to act on the part of Landlord which could or would give basis to Tenant's rights and (ii) the ground lessors and such mortgagees, after receipt of such notice, have failed or refused to correct or cure the condition complained of within a reasonable time thereafter but nothing herein contained shall be deemed to impose any obligation on any ground lessor or such mortgagee to correct or cure any such condition.

13.06 This Lease may not be modified or amended so as to reduce the rent, shorten the term, or otherwise materially affect the rights of Landlord hereunder, or be canceled or surrendered except as provided in Section 13.05 this Article without the prior written consent in each instance of the ground lessors and of any mortgagees whose mortgages shall require such consent. Any such modification, agreement, cancellation or surrender made without such prior written consent shall be null and void.

13.07 From time to time, Tenant, on at least ten (10) days' prior written request by Landlord, shall deliver to Landlord a statement in writing certifying that this Lease is unmodified and in full force and effect (or if there shall have been modifications, that the same is in full force and effect as modified and stating the modifications) and the dates to which the Rent and other charges have been paid and stating whether or not Landlord is in default in performance of any covenant, agreement or condition contained in this Lease and, if so, specifying each such default. In the event that Tenant shall fail to execute and deliver any such instrument within ten (10) days after written request is made therefor, Landlord shall deliver an additional copy (marked "Second Notice") thereof to Tenant. In the event that Tenant, after the second notice, shall thereafter fail to either (i) execute and deliver any such instrument within ten (10) days after written request is made therefor or (ii) furnish within ten (10) days after written request is made therefor, a bonafide written dispute of the contents of such instrument, containing proposed remediation language; thereafter failure to execute any revised subordination within ten (10) days of receipt of written request is made therefor, then hereby irrevocably constitutes and appoints Landlord as Tenant's attorney-in-fact to execute, acknowledge and deliver any such statements or certificates for and on behalf of Tenant.

ARTICLE 14

CONDEMNATION

14.01 If the whole or any substantial part of the Premises shall be condemned by eminent domain or acquired by private purchase in lieu thereof, for any public or quasi-public purpose, this Lease shall terminate on the date of the vesting of title through such proceeding or purchase, and Tenant shall have no claim against Landlord for the value of any unexpired portion of the Term of this Lease, nor shall Tenant be entitled to any part of the condemnation award or private purchase price. If less than a substantial part of the Premises is condemned, this Lease shall not terminate, but Rent shall abate in proportion to the portion of the Premises condemned.

ARTICLE 15

REQUIREMENTS OF LAW

15.01 Tenant at its expense shall comply with all laws, orders and regulations of any governmental authority having or asserting jurisdiction over the Premises, which shall impose any violation, order or duty upon Landlord or Tenant as a result of Tenant's particular manner of use or occupancy of the Premises, including, without limitation, compliance in the Premises with all City, State and Federal laws, rules and regulations on the disabled or handicapped, on fire safety and on hazardous materials. The foregoing shall not require Tenant to do structural work to the Building. Notwithstanding the foregoing, Landlord shall be responsible for the cost of curing any violation of law in the Premises, existing as a matter of public record as of the commencement of the Term of this Lease or for which Landlord has had actual knowledge of as of the commencement of the term of this Lease.

15.02 Tenant shall require every person engaged by him to clean any window in the Premises from the outside, to use the equipment and safety devices required by Section 202 of the Labor Law and the rules of any governmental authority having or asserting jurisdiction.

15.03 Tenant at its expense shall comply with all requirements of the New York Board of Fire Underwriters, or any other similar body affecting the Premises, and shall not use the Premises in a manner which shall increase the rate of fire insurance of Landlord or of any other tenant, over that in effect prior to this Lease. If Tenant's use of the Premises increases the fire insurance rate, Tenant shall reimburse Landlord for all such increased costs. That the Premises are being used for the purpose set forth in Article 1 hereof shall not relieve Tenant from the foregoing duties, obligations and expenses.

ARTICLE 16

CERTIFICATE OF OCCUPANCY

16.01 Tenant will at no time use or occupy the Premises in violation of the certificate of occupancy issued for the Building. The statement in this Lease of the nature of the business to be conducted by Tenant shall not be deemed to constitute a representation or guaranty by Landlord that such use is lawful or permissible in the Premises under the certificate of occupancy for the Building.

ARTICLE 17

POSSESSION

17.01 If Landlord shall be unable to give possession of the Premises on the Commencement Date in the condition required by this Lease, because of the retention of possession of any occupant thereof, alteration or construction work, or for any other reason, Landlord shall not be subject to any liability for such failure. In such event, this Lease shall stay in full force and effect, without extension of its Term. However, the Rent hereunder shall not commence until the Premises are available for occupancy by Tenant in the condition required by this Lease, as provided in Article 22 of the Lease. If delay in possession is due to work, changes or decorations being made by or for Tenant other than Landlord's Work, or is otherwise caused by Tenant, there shall be no rent abatement and the Rent shall commence on the date specified in this Lease. If permission is given to Tenant to occupy the Premises or other Premises prior to the date specified as the commencement of the Term, such occupancy shall be deemed to be pursuant to the terms of this Lease, except that the parties shall separately agree as to the obligation of Tenant to pay Rent for such occupancy. The provisions of this Article are intended to constitute an "express provision to the contrary" within the meaning of Section 223(a), New York Real Property Law.

ARTICLE 18

QUIET ENJOYMENT

18.01 Landlord covenants that if Tenant pays the Rent and performs all of Tenant's other obligations under this Lease, Tenant may peaceably and quietly enjoy the Premises, subject to the terms, covenants and conditions of this Lease and to the ground leases, underlying leases and mortgages hereinbefore mentioned.

ARTICLE 19

RIGHT OF ENTRY

19.01 Tenant shall permit Landlord to erect, construct and maintain pipes, conduits and shafts in and through the Premises provided that they are concealed, erected along perimeter walls wherever possible and are installed in a manner which does not interfere with Tenant's use of the Premises. Landlord or its agents shall have the right to enter or pass through the Premises upon reasonable oral notice to Tenant at reasonable times and by reasonable force in the event of an Emergency Situation without notice to Tenant, by master key and, in the event of an emergency, by reasonable force or otherwise, to examine the same, and to make such repairs, alterations or additions as it may deem necessary or desirable to the Premises or the Building, and to take all material into and upon the Premises that may be required therefor. Landlord shall use reasonable efforts to minimize interference with Tenant's normal business activities within the premises provided, however, that Tenant acknowledges and agrees that all work shall be performed on normal business days during normal business hours. Notwithstanding the foregoing, in the event that Tenant requests that Landlord make such repairs, alterations or additions during times other than ordinary business hours, and such labor is then available, Tenant shall be responsible for the cost of such overtime or premium labor charges as the case may be. Such entry and work shall not

constitute an eviction of Tenant in whole or in part, shall not be grounds for any abatement of rent, and shall impose no liability on Landlord by reason of inconvenience or injury to Tenant's business. Landlord shall have the right at any time, without the same constituting an actual or constructive eviction, and without incurring any liability to Tenant, to change the arrangement and/or location of entrances or passageways, windows, corridors, elevators, stairs, toilets, or other public parts of the Building, and to change the designation of rooms and suites and the name or number by which the Building is known.

ARTICLE 20

INDEMNITY

20.01 Tenant shall indemnify, defend and save Landlord harmless from and against any liability or expense arising from the use or occupation of the Premises by Tenant, or anyone on the Premises with Tenant's permission, or from any breach of this Lease.

ARTICLE 21

LANDLORD'S LIABILITY, ETC.

21.01 This Lease and the obligations of Tenant hereunder shall not in any way be affected because Landlord is unable to fulfill any of its obligations or to supply any service, by reason of strike or other cause not within Landlord's control. Landlord shall have the right, without incurring any liability to Tenant, to stop any service because of accident or emergency, or for repairs, alterations or improvements, necessary or desirable in the judgment of Landlord, until such repairs, alterations or improvements shall have been completed. Landlord shall not be liable to Tenant or anyone else, for any loss or damage to person, property or business; nor shall Landlord be liable for any latent defect in the Premises or the Building. Neither the partners, entities or individuals comprising the Landlord, nor the agents, directors, or officers or employees of any of the foregoing shall be liable for the performance of the Landlord's obligations hereunder. Tenant agrees to look solely to Landlord's estate and interest in the land and Building, or the lease of the Building or of the land and Building, and the Premises, for the satisfaction of any right or remedy of Tenant for the collection of a judgement (or other judicial process) requiring the payment of money by Landlord, and in the event of any liability by Landlord, and no other property or assets of Landlord or of any of the aforementioned parties shall be subject to levy, execution or other enforcement procedure for the satisfaction of Tenant's remedies under or with respect to this Lease, the relationship of Landlord and Tenant hereunder, or Tenant's use and occupancy of the Premises or any other liability of Landlord to Tenant.

ARTICLE 22

CONDITION OF PREMISES

22.01 The parties acknowledge that Tenant has inspected the Premises and the Building and is fully familiar with the physical condition thereof and Tenant agrees to accept the Premises at the commencement of the Term in its then "as is" condition. Tenant acknowledges and agrees that Landlord shall have no obligation to do any work in or to the Premises in order to make it suitable and ready for occupancy and use by Tenant, except to the extent expressly provided for in this Article 22.

22.02 Prior to the commencement of the Term of this Lease, Landlord shall, at Landlord's cost and expense, perform the work set forth on the schedule annexed hereto as Exhibit C in a building standard manner using building standard materials ("Landlord's Work"). Landlord, or Landlord's designated, wholly-owned affiliate Emerald City Construction Corp., shall perform Landlord's Work with reasonable dispatch, subject to delay by causes beyond its control or by the action or inaction of Tenant. Tenant acknowledges and agrees that the performance of Landlord's Work is expressly conditioned upon compliance by Tenant with all the terms and conditions of this Lease, including payment of Rent.

22.03 Any changes in or additions to Landlord's Work which shall be consented to by Landlord, and further changes in or additions to the Premises requested by Tenant after said Work has been completed which shall be so consented to and made by Landlord, or its agents, but shall be paid for by Tenant promptly when billed at cost plus 1 1/4% for insurance, 5% for overhead and 5% for general conditions, and in the event of the failure of Tenant so to pay for said changes or additions, Landlord at its option may consider the cost thereof, plus the above percentages, as Additional Rent payable by Tenant and collectible as such hereunder, as part of the rent for the next ensuing months.

22.04 If Landlord's Work is not substantially completed by the Commencement Date and is delayed by acts, omissions or changes made or requested by Tenant, its agents, designers, architects or any other party acting or apparently acting on Tenant's behalf, then Tenant shall pay as hereinbefore provided rent and additional rent on a per diem basis for each day of delay of Landlord's substantial completion caused by Tenant or any of the aforementioned parties.

22.05 Landlord's Work shall be deemed to be substantially completed notwithstanding that (i) minor or non-material details of construction, mechanical adjustment or decoration remain to be performed, provided that said "Punch List Items" shall be completed by Landlord within a reasonable time thereafter or (ii) a portion of Landlord's Work is incomplete because construction scheduling requires that such work be done after incomplete finishing or after other work to be done by Tenant or Tenant's agent, employee, servant or contractor is completed. Notwithstanding anything contained herein to the contrary, Landlord and Tenant acknowledge and agree that Landlord shall complete any Punch List items during normal business on normal business days, in connection with which Landlord acknowledges that Tenant may be conducting business in the Premises for the uses permitted under this Lease during such time(s). Accordingly, Landlord agrees that Landlord shall use commercially reasonable efforts to minimize interference with Tenant's permitted use of the Premises and to compartmentalize the portion of the Premises in which Landlord performs work on Punch List Items in order to minimize the escape of debris therefrom and Tenant shall reasonably cooperate with Landlord by covering and/or temporarily relocating Tenant's personnel, furniture and/or office equipment within the Premises.

Furthermore, in the event that Tenant requests that Landlord complete such Punch List Items during times other than ordinary business hours, and such labor is then available, Tenant shall be responsible for the cost of such overtime or premium labor charges as the case may be. Such entry and work shall not constitute an eviction of Tenant in whole or in part, shall not be grounds for any abatement of rent, and shall impose no liability on Landlord by reason of inconvenience or injury to Tenant's business.

ARTICLE 23

CLEANING

23.01 Landlord shall cause the Premises to be kept clean in accordance with Landlord's customary standards for the Building, provided they are kept in order by Tenant. Landlord, its cleaning contractor and their employees shall have after-hours access to the Premises and the use of Tenant's light, power and water in the Premises as may be reasonably required for the purpose of cleaning the Premises. Landlord may remove Tenant's extraordinary refuse from the Building and Tenant shall pay the cost thereof.

23.02 Tenant acknowledges that Landlord has designated a cleaning contractor for the Building. Tenant agrees to employ said cleaning contractor or such other contractor as Landlord shall from time to time designate (the "Building Cleaning Contractor") to perform all cleaning services required under the Lease to be performed by Tenant within the Premises and for any other waxing, polishing, and other cleaning and maintenance work of the Premises and Tenant's furniture, fixtures and equipment (collectively, "Tenant Cleaning Services") provided that the prices charged by said contractor are comparable to the prices customarily charged by other reputable cleaning contractors employing union labor in midtown Manhattan for the same level and quality of service. Tenant acknowledges that it has been advised that the cleaning contractor for the Building may be a division or affiliate of Landlord. Tenant agrees that it shall not employ any other cleaning and maintenance contractor, nor any individual, firm or organization for such purpose, without Landlord's prior written consent. In the event that Landlord and Tenant cannot agree on whether the prices then being charged by the Building Cleaning Contractor for such cleaning services are comparable to those charged by other reputable contractors as herein provided, then Landlord and Tenant shall each obtain two (2) bona fide bids for such services from reputable cleaning contractors performing such services in comparable buildings in midtown Manhattan employing union labor, and the average of the four bids thus obtained shall be the standard of comparison. In the event that the Building Cleaning Contractor does not agree to perform such cleaning services for Tenant at such average price, Landlord shall not unreasonably withhold its consent to the performance of Tenant Cleaning Services by a reputable cleaning contractor designated by Tenant employing union labor with the proper jurisdictional qualifications provided, however, that, without limitation, Landlord's experience with such contractor or any criminal proceedings pending or previously filed against such contractor may form a basis upon which Landlord may withhold or withdraw its consent.

ARTICLE 24

JURY WAIVER

24.01 Landlord and Tenant hereby waive trial by jury in any action, proceeding or counterclaim involving any matter whatsoever arising out of or in any way connected with this Lease, the relationship of Landlord and Tenant, Tenant's use or occupancy of the Premises or involving the right to any statutory relief or remedy. Tenant will not interpose any counterclaim of any nature in any summary proceeding except for mandatory or compulsory counterclaims.

ARTICLE 25

NO WAIVER, ETC.

25.01 No act or omission of Landlord or its agents shall constitute an actual or constructive eviction, unless Landlord shall have first received written notice of Tenant's claim and shall have had a reasonable opportunity to meet such claim. In the event that any payment herein provided for by Tenant to Landlord shall become overdue for a period in excess of ten (10) days, then at Landlord's option a "late charge" shall become due and payable to Landlord, as Additional Rent, from the date it was due until payment is made, at the following rates: for individual and partnership lessees, said late charge shall be computed at the maximum legal rate of interest; for corporate or governmental entity lessees the late charge shall be computed at two percent per month unless there is an applicable maximum legal rate of interest which then shall be used. No act or omission of Landlord or its agents shall constitute an acceptance of a surrender of the Premises, except a writing signed by Landlord. The delivery or acceptance of keys to Landlord or its agents shall not constitute a termination of this Lease or a surrender of the Premises. Acceptance by Landlord of less than the Rent herein provided shall at Landlord's option be deemed on account of earliest Rent remaining unpaid. No endorsement on any check, or letter accompanying Rent, shall be deemed an accord and satisfaction, and such check may be cashed without prejudice to Landlord. No waiver of any provision of this Lease shall be effective, unless such waiver be in writing signed by the party to be charged. In no event shall Tenant be entitled to make, nor shall Tenant make any claim, and Tenant hereby waives any claim for money damages (nor shall Tenant claim any money damages by way of set-off, counterclaim or defense) based upon any claim or assertion by Tenant that Landlord had unreasonably withheld, delayed or conditioned its consent or approval to any request by Tenant made under a provision of this Lease. Tenant's sole remedy shall be an action or proceeding to enforce any such provision, or for specific performance or declaratory judgment. Tenant shall comply with the rules and regulations contained in this Lease, and any reasonable modifications thereof or additions thereto. Landlord shall not be liable to Tenant for the violation of such rules and regulations by any other tenant. Failure of Landlord to enforce any provision of this Lease, or any rule or regulation, shall not be construed as the waiver of any subsequent violation of a provision of this Lease, or any rule or regulation. Landlord agrees to enforce all Rules and Regulations in a uniform and non-discriminatory manner. This Lease shall not be affected by nor shall Landlord in any way be liable for the closing, darkening or bricking up of windows in the Premises, for any reason, including as

the result of construction on any property of which the Premises are not a part or by Landlord's own acts.

ARTICLE 26

OCCUPANCY AND USE BY TENANT

26.01 If this Lease is terminated because of Tenant's default hereunder, then, in addition to Landlord's rights of re-entry, restoration, preparation for and rerental, and anything elsewhere in this Lease to the contrary notwithstanding, all Rent and Additional Rent reserved in this Lease from the date of such breach to the expiration date of this Lease shall become immediately due and payable to Landlord and Landlord shall retain its right to judgment on and collection of Tenant's aforesaid obligation to make a single payment to Landlord of a sum equal to (i) the amount by which (x) the Fixed Annual Rent and Additional Rent payable hereunder for the period to the Expiration Date from the date of such breach, exceeds (y) the then fair and reasonable rental value of the Premises for the same period, both discounted at the prime rate of interest charged by Chase Manhattan Bank, New York, (or the successor thereto) on the date of such breach to present worth, and (ii) all reasonable out-of-pocket expenses of Landlord in obtaining possession of, and in effecting the reletting of the Premises including, without limitation, alteration costs, commissions, concessions and legal fees. In no event shall Tenant be entitled to a credit or repayment for rerental income which exceeds the sums payable by Tenant hereunder or which covers a period after the original Term of this Lease.

ARTICLE 27

NOTICES

27.01 Any bill from Landlord to Tenant, may be delivered personally at the Premises or sent by regular mail or by any nationally recognized overnight delivery service and addressed to Tenant at the Premises or if prior to the commencement of the Term of this Lease at the address first set forth herein. Any notice or demand from Landlord to Tenant, shall be delivered personally at the Premises with a copy sent by registered or certified mail or by any nationally recognized overnight delivery service and addressed to Tenant at the Premises or if prior to the commencement of the Term of this Lease to the address first set forth herein. Such bill, notice or demand shall be deemed to have been given at the time of delivery, mailing or receipt by such delivery service. Any notice, request or demand from Tenant to Landlord must be sent by registered or certified mail or by any nationally recognized overnight courier service to the last address designated in writing by Landlord.

ARTICLE 28

WATER

28.01 Tenant shall pay the amount of Landlord's cost for all excessive water used by Tenant for any purpose other than ordinary cleaning, pantry or lavatory uses, and any sewer

rent or tax based thereon. In the event Landlord has reason to believe that Tenant's use of water in the Premises is excessive, Landlord may install a water meter to measure Tenant's water consumption for all purposes and Tenant agrees to pay for the installation and maintenance thereof and for water consumed as shown on said meter at Landlord's cost therefor plus fifteen (15%) percent. If water is made available to Tenant in the Building or the Premises through a meter which also supplies other Premises, or without a meter, then Tenant shall pay to Landlord a reasonable charge per month for water. Landlord reserves the right to discontinue water service to the Premises if either the quantity or character of such service is changed or is no longer available or suitable for Tenant's requirements or for any other reason without releasing Tenant from any liability under this Lease and without Landlord or Landlord's agent incurring any liability for any damage or loss sustained by Tenant by such discontinuance of service.

ARTICLE 29

SPRINKLER SYSTEM

29.01 If there shall be a "sprinkler system" in the Premises for any period during this Lease, Tenant shall pay a reasonable charge per month, for sprinkler supervisory service. In no event shall Tenant's Share exceed the sum of twenty five ($.25) cents per rentable square foot of space per calendar year during the term of this Lease. If such sprinkler system is damaged by any act or omission of Tenant or its agents, employees, licensees or visitors, Tenant shall restore the system to good working condition at its own expense. If the New York Board of Fire Underwriters, the New York Fire Insurance Exchange, the Insurance Services Office, or any governmental authority requires the installation of, or any alteration to a sprinkler system by reason of Tenant's particular manner of occupancy or use of the Premises, including any alteration necessary to obtain the full allowance for a sprinkler system in the fire insurance rate of Landlord, or for any other reason, Tenant shall make such installation or alteration promptly, and at its own expense.

ARTICLE 30

HEAT, ELEVATOR, ETC.

30.01 Landlord shall provide a minimum of one passenger elevator servicing the floor upon which the premises are located twenty-four (24) hours a day, seven days a week. Landlord shall furnish heat to the Premises during days in the cold season in each year during usual business hours including Saturdays until 1 P.M., except on Sundays, State holidays, Federal holidays, or Building Service Employees Union Contract holidays. If the elevators in the Building are manually operated, Landlord may convert to automatic elevators at any time, without in any way affecting Tenant's obligations hereunder.

30.02 Tenant shall not be charged for Tenant's use of one (1) car for freight elevator service solely in connection with its initial, single phase move into the Premises, provided that (i)

same does not exceed eight (8) hours in the aggregate; and (ii) Tenant acknowledges and agrees that such use shall be on a non-exclusive, first-come, first-served basis.

ARTICLE 31

SECURITY DEPOSIT

31.01 Tenant has deposited with Landlord the sum of $35,824.75 as security (the "Security") for the performance by Tenant of the terms of this Lease after notice and the expiration of any applicable cure period. Landlord may use any part of the Security to satisfy any default of Tenant and any expenses arising from such default, including but not limited to legal fees and any damages or rent deficiency before or after re-entry by Landlord. Tenant shall, upon demand, deposit with Landlord the full amount so used, and/or any amount not so deposited by Tenant, in order that Landlord shall have the full Security deposit on hand at all times during the term of this Lease. If Tenant shall comply fully with the terms of this Lease, the Security shall be returned to Tenant after the date fixed as the end of the Lease. In the event of a sale or lease of the Building containing the Premises, Landlord may transfer the Security to the purchaser or tenant, and Landlord shall thereupon be released from all liability for the return of the Security. This provision shall apply to every transfer or assignment of the Security to a new Landlord. Tenant shall have no legal power to assign or encumber the Security herein described.

31.02 Provided that on the last day of the 36th calendar month following the commencement of the Term of this Lease, (i) Tenant is not in default of any of the material terms, covenants and conditions of this Lease after notice, and (ii) the tenant named on the first page of this Lease occupies all of the Premises, and (iii) the amount of the security deposit which has been deposited by Tenant with Landlord pursuant to this Article of this Lease has not been drawn upon by Landlord or, in the event it has so been drawn upon by Landlord, the security deposit has been replenished to its original amount by Tenant, then said security deposit shall be reduced by the sum of $17,912.37 (the "Security Reduction"). Tenant hereby authorizes Landlord to apply the Security Reduction to the monthly installments of fixed annual rent due for the thirty-seventh (37th), thirty-eighth (38th) and the thirty-ninth (39th) months after the commencement of the term of this Lease, notwithstanding the foregoing however, Tenant shall be responsible for all rents and additional rents which may be due pursuant to the Lease which are not satisfied by Landlord's application of the Security Reduction.

31.03 The security shall be maintained by Landlord in an interest bearing account and Landlord shall remit to Tenant all interest earned at the time the security is returned to Tenant, minus a one (1%) percent administration fee to which Landlord shall be entitled.

ARTICLE 32

TAX ESCALATION

32.01 Tenant shall pay to Landlord, as Additional Rent, tax escalation in accordance with this Article:

(a) For purposes of this Lease, Landlord and Tenant acknowledge and agree that the rentable square foot area of the Premises shall be deemed to be 1,963 square feet.

(b) For the purpose of this Article, the following definitions shall apply:

(i) The term "Tenant's Share", for purposes of computing tax escalation, shall mean one hundred seventy six thousandths percent (0.176%). Tenant's Share has been computed on the basis of a fraction, the numerator of which is the rentable square foot area of the Premises and the denominator of which is the total rentable square foot area of the office and commercial space in the Building Project. The parties acknowledge and agree that the total rentable square foot area of the office and commercial space in the Building Project shall be deemed to be 1,112,424 sq. ft.

(ii) The term the "Building Project" shall mean the aggregate combined parcel of land on a portion of which are the improvements of which the Premises form a part, with all the improvements thereon, said improvements being a part of the block and lot for tax purposes which are applicable to the aforesaid land.

(iii) The phrase "Real Estate Taxes Payable during the Base Tax Year" shall be deemed to be the New York City Real Estate Fiscal Year commencing on July 1, 2004 through June 30, 2005.

(iv) The term "Comparative Year" shall mean the twelve (12) month period beginning on July 1, 2005 and ending on June 30, 2006, and each subsequent period of twelve (12) months thereafter.

(v) The term "Real Estate Taxes" shall mean the total of all real estate taxes and special or other assessments levied, assessed or imposed at any time by any governmental authority upon or against the Building Project including, without limitation, any tax or assessment levied, assessed or imposed at any time by any governmental authority in connection with the receipt of income or rents from said Building Project to the extent that same shall be in lieu of all or a portion of any of the aforesaid taxes or assessments, or additions or increases thereof, upon or against said Building Project. The Lease shall exclude from Real Estate Taxes any interest or penalties incurred by Landlord by reason of late payment of Taxes. If, due to a future change in the method of taxation or in the taxing authority, or for any other reason, a franchise, income, transit, profit or other tax or governmental imposition, however designated, shall be levied against Landlord in substitution in whole or in part for the Real Estate Taxes, or in lieu of additions to or increases of said Real Estate Taxes, then such franchise, income, transit, profit or other tax or governmental imposition shall be deemed to be included within the definition of "Real Estate Taxes" for the purposes hereof. As to special assessments which are payable over a period of time extending beyond the term of this Lease, for purposes of this Article such special assessments shall be calculated assuming that Landlord shall pay such assessments over the longest period of time allowable.

(vi) Where more than one assessment is imposed by the City of New York for any tax year, whether denominated an "actual assessment" or a "transitional assessment" or otherwise, then the phrases herein "assessed value" and "assessments" shall mean whichever of the actual, transitional or other assessment is designated by the City of New York as the taxable assessment for that tax year.

32.02 In the event that the Real Estate Taxes payable for any Comparative Year shall exceed the amount of the Real Estate Taxes payable during the Base Tax Year, Tenant shall pay to Landlord, as Additional Rent for such Comparative Year, an amount equal to Tenant's Share of the excess. Before or after the start of each Comparative Year, Landlord shall furnish to Tenant a statement of the Real Estate Taxes payable during the Comparative Year. If the Real Estate Taxes payable for such Comparative Year exceed the Real Estate Taxes payable during the Base Tax Year, Additional Rent for such Comparative Year, in an amount equal to Tenant's Share of the excess, shall be due from Tenant to Landlord, and such Additional Rent shall be payable by Tenant to Landlord within thirty (30) days after receipt of the aforesaid statement. The benefit of any discount for any early payment or prepayment of Real Estate Taxes shall accrue solely to the benefit of Landlord, and such discount shall not be subtracted from the Real Estate Taxes payable for any Comparative Year. In addition to the foregoing, Tenant shall pay to Landlord, on demand, as Additional Rent, a sum equal to Tenant's Share of any business improvement district assessment payable by the Building Project.

32.03 Should the Real Estate Taxes payable during the Base Tax Year be reduced by final determination of legal proceedings, settlement or otherwise, then, the Real Estate Taxes payable during the Base Tax Year shall be correspondingly revised, the Additional Rent theretofore paid or payable hereunder for all Comparative Years shall be recomputed on the basis of such reduction, and Tenant shall pay to Landlord as Additional Rent, within ten (10) days after being billed therefor, any deficiency between the amount of such Additional Rent as theretofore computed and the amount thereof due as the result of such recomputations.

32.04 If, after Tenant shall have made a payment of Additional Rent under Section 32.02, Landlord shall receive a refund of any portion of the Real Estate Taxes payable for any Comparative Year after the Base Tax Year July 1, 2004 through June 30, 2005 on which such payment of Additional Rent shall have been based, as a result of a reduction of such Real Estate Taxes by final determination of legal proceedings, settlement or otherwise, Landlord shall within ten (10) days after receiving the refund pay to Tenant Tenant's Share of the refund less Tenant's Share of expenses (including attorneys' and appraisers' fees) incurred by Landlord in connection with any such application or proceeding. In addition to the foregoing, Tenant shall pay to Landlord, as Additional Rent, within ten (10) days after Landlord shall have delivered to Tenant a statement therefore, Tenant's Share of all expenses incurred by Landlord in reviewing or contesting the validity or amount of any Real Estate Taxes or for the purpose of obtaining reductions in the assessed valuation of the Building Project prior to the billing of Real Estate Taxes, including without limitation, the fees and disbursements of attorneys, third party consultants, experts and others.

32.05 The statements of the Real Estate Taxes to be furnished by Landlord as provided above shall be certified by Landlord and shall constitute a final determination as between

Landlord and Tenant of the Real Estate Taxes for the periods represented thereby, unless Tenant within thirty (30) days after they are furnished shall give a written notice to Landlord that it disputes their accuracy or their appropriateness, which notice shall specify the particular respects in which the statement is inaccurate or inappropriate. If Tenant shall so dispute said statement then, pending the resolution of such dispute, Tenant shall pay the Additional Rent to Landlord in accordance with the statement furnished by Landlord.

32.06 In no event shall the Fixed Annual Rent under this Lease be reduced by virtue of this Article.

32.07 If the Commencement Date of the Term of this Lease is not the first day of the first Comparative Year, then the Additional Rent due hereunder for such first Comparative Year shall be a proportionate share of said Additional Rent for the entire Comparative Year, said proportionate share to be based upon the length of time that the lease Term will be in existence during such first Comparative Year. Upon the date of any expiration or termination of this Lease (except termination because of Tenant's default) whether the same be the date hereinabove set forth for the expiration of the Term or any prior or subsequent date, a proportionate share of said Additional Rent for the Comparative Year during which such expiration or termination occurs shall immediately become due and payable by Tenant to Landlord, if it was not theretofore already billed and paid. The said proportionate share shall be based upon the length of time that this Lease shall have been in existence during such Comparative Year. Landlord shall promptly cause statements of said Additional Rent for that Comparative Year to be prepared and furnished to Tenant. Landlord and Tenant shall thereupon make appropriate adjustments of amounts then owing.

32.08 Landlord's and Tenant's obligations to make the adjustments referred to in Section 32.07 above shall survive any expiration or termination of this Lease. Any delay or failure of Landlord in billing any tax escalation hereinabove provided shall not constitute a waiver of or in any way impair the continuing obligation of Tenant to pay such tax escalation hereunder.

ARTICLE 33

RENT CONTROL

33.01 In the event the Fixed Annual Rent or Additional Rent or any part thereof provided to be paid by Tenant under the provisions of this Lease during the Term shall become uncollectible or shall be reduced or required to be reduced or refunded by virtue of any Federal, State, County or City law, order or regulation, or by any direction of a public officer or body pursuant to law, or the orders, rules, code or regulations of any organization or entity formed pursuant to law, whether such organization or entity be public or private, then Landlord, at its option, may at any time thereafter terminate this Lease, by not less than thirty (30) days' written notice to Tenant, on a date set forth in said notice, in which event this Lease and the term hereof shall terminate and come to an end on the date fixed in said notice as if the said date were the date originally fixed herein for the termination of the demised term. Landlord shall not have the right to so terminate this Lease if Tenant within such period of thirty (30) days shall in writing lawfully

agree that the rentals herein reserved are a reasonable rental and agree to continue to pay said rentals, and if such agreement by Tenant shall then be legally enforceable by Landlord.

ARTICLE 34

SUPPLIES

34.01 Only Landlord or any one or more persons, firms, or corporations authorized in writing by Landlord, which authorization shall not be unreasonably withheld, conditioned or delayed, shall be permitted to furnish laundry, linens, towels, drinking water, water coolers, ice and other similar supplies and services to tenants and licensees in the Building. Landlord may fix, in its own reasonable discretion, from time to time, the hours during which and the regulations under which such supplies and services are to be furnished. Landlord furthermore expressly reserves the right to reasonably exclude from the Building any person, firm or corporation attempting to furnish any of said supplies or services but not so authorized by Landlord.

34.02 Only Landlord or any one or more persons, firms or corporations authorized in writing by Landlord, which authorization shall not be unreasonably withheld, conditioned or delayed, shall be permitted to sell, deliver or furnish any food or beverages whatsoever for consumption within the Premises or elsewhere in the Building. Landlord further expressly reserves the right to reasonably exclude from the Building any person, firm or corporation attempting to deliver or purvey any such food or beverages, but not so authorized by Landlord. It is understood, however, that Tenant or its regular office employees may personally bring food or beverages into the Building for consumption within the Premises by the said employees, but not for resale or for consumption by any other tenant. Landlord may fix in its reasonable discretion from time to time the hours during which, and the regulations under which, food and beverages may be brought into the Building by Tenant or its regular employees.

ARTICLE 35

AIR CONDITIONING

35.01 Tenant shall be permitted to use the equipment presently supplying air-conditioning service to the Premises (the "Existing HVAC Equipment") Monday to Friday from 8:00 a.m. to 6:00 p.m. during the Building's "Cooling Season" (which is currently May 15 through October 15) subject to and in accordance with the provisions of this Article. Tenant acknowledges and agrees that air-conditioning service to the Premises shall be supplied through equipment operated, maintained and repaired by Tenant and that Landlord has no obligation to operate, maintain or to repair the said equipment or to supply air-conditioning service to the Premises. The Existing HVAC Equipment and all other air conditioning systems, equipment and facilities hereafter located in or servicing the Premises (the "Supplemental Systems") including, without limitation, the ducts, dampers, registers, grilles and appurtenances utilized in connection with both the Existing HVAC Equipment and the Supplemental Systems (collectively hereinafter referred to as the "HVAC System"), shall be

maintained, repaired and operated by Tenant in compliance with all present and future laws and regulations relating thereto at Tenant's sole cost and expense. Tenant shall pay for all electricity consumed in the operation of the HVAC System, and Tenant's proportionate share of the electric current (and/or water, gas and steam) for the production of chilled and/or condenser water and its supply to the Premises, if applicable, which shall become the obligation of Tenant subject to the terms of Article 41 of this Lease. Tenant shall pay for all parts and supplies necessary for the proper operation of the HVAC System (and any restoration or replacement by Tenant of all or any part thereof shall be in quality and class at least equal to the original work or installations); provided, however, that Tenant shall not alter, modify, remove or replace the HVAC System, or any part thereof, without Landlord's prior written consent.

35.02 Without limiting the generality of the foregoing, Tenant shall, at its own cost and expense, (a) cause to be performed all maintenance of the HVAC System, including all repairs and replacements thereto, and (b) commencing as of the date upon which Tenant shall first occupy the Premises for the conduct of its business, and thereafter throughout the Term of the Lease, maintain in force and provide a copy of same to Landlord an air conditioning service repair and full service maintenance contract covering the HVAC System in form satisfactory to Landlord with an air conditioning contractor or servicing organization approved by Landlord. All such contracts shall provide for the thorough overhauling of the HVAC System at least once each year during the Term of this Lease and shall expressly state that (i) it shall be an automatically renewing contract terminable upon not less than thirty (30) days prior written notice to the Landlord (sent by certified mail, return receipt requested) and (ii) the contractor providing such service shall maintain a log at the Premises detailing the service provided during each visit pursuant to such contract. Tenant shall keep such log at the Premises and permit Landlord to review same promptly after Landlord's request. The HVAC System is and shall at all times remain the property of Landlord, and at the expiration or sooner termination of the Lease, Tenant shall surrender to Landlord the HVAC System in good working order and condition, subject to normal wear and tear and shall deliver to Landlord a copy of the service log. In the event that Tenant fails to obtain the contract required herein or perform any of the maintenance or repairs required hereunder, Landlord shall have the right, but not the obligation, to procure such contract and/or perform any such work and charge the Tenant as Additional Rent hereunder the cost of same plus an administrative fee equal to fifteen percent (15%) of such cost which shall be paid for by Tenant on demand.

ARTICLE 36

SHORING

36.01 Tenant shall permit any person authorized to make an excavation on land adjacent to the Building containing the Premises to do any work within the Premises necessary to preserve the wall of the Building from injury or damage, and Tenant shall have no claim against Landlord for damages or abatement of rent by reason thereof.

ARTICLE 37

EFFECT OF CONVEYANCE, ETC.

37.01 If the Building containing the Premises shall be sold, transferred or leased, or the lease thereof transferred or sold, Landlord shall be relieved of all future obligations and liabilities hereunder and the purchaser, transferee or tenant of the Building shall be deemed to have assumed and agreed to perform all such obligations and liabilities of Landlord hereunder. In the event of such sale, transfer or lease, Landlord shall also be relieved of all existing obligations and liabilities hereunder, provided that the purchaser, transferee or tenant of the Building assumes in writing such obligations and liabilities.

ARTICLE 38

RIGHTS OF SUCCESSORS AND ASSIGNS

38.01 This Lease shall bind and inure to the benefit of the heirs, executors, administrators, successors, and, except as otherwise provided herein, the assigns of the parties hereto. If any provision of any Article of this Lease or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of that Article, or the application of such provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each provision of said Article and of this Lease shall be valid and be enforced to the fullest extent permitted by law.

ARTICLE 39

CAPTIONS

39.01 The captions herein are inserted only for convenience, and are in no way to be construed as a part of this Lease or as a limitation of the scope of any provision of this Lease.

ARTICLE 40

BROKERS

40.01 Tenant covenants, represents and warrants that Tenant has had no dealings or negotiations with any broker or agent in connection with the consummation of this Lease other than SL Green Leasing LLC (collectively, the "Brokers") and Tenant covenants and agrees to defend, hold harmless and indemnify Landlord from and against any and all cost, expense (including reasonable attorneys' fees) or liability for any compensation, commissions or charges claimed by any broker or agent with respect to this Lease or the negotiation thereof. Landlord represents that Landlord, at its sole cost and expense, shall pay all commissions due to the Brokers pursuant to a separate written agreement.

40.02 Landlord represents and warrants to Tenant that it did not consult or negotiate with any broker, finder, or consultant with regard to the Premises other than the Brokers, and that no other broker, finder or consultant participated in procuring this Lease. Landlord hereby indemnifies and agrees to defend and hold Tenant, its agents, servants and employees harmless from any suit, action, proceeding, controversy, claim or demand whatsoever at law or in equity that may be instituted against Tenant by those who dealt with Landlord for recovery of compensation or damages for procuring this Lease or by reason of a breach or purported breach of the representations and warranties contained herein.

ARTICLE 41

ELECTRICITY

41.01 Tenant acknowledges and agrees that electric service shall be supplied to the Premises on a "rent inclusion basis" in accordance with the provisions of this Article 41 (subject to Landlord's right, in its sole discretion, to furnish such electricity on a "submetering" basis as provided for herein).

41.02 Electricity and electric service, as used herein, shall mean any element affecting the generation, transmission, and/or distribution or redistribution of electricity, including but not limited to services which facilitate the distribution of service.

41.03 If and so long as Landlord provides electricity to the Premises on a rent inclusion basis, Tenant agrees that the Fixed Annual Rent shall be increased by the amount of the Electricity Rent Inclusion Factor ("ERIF"), as hereinafter defined. Tenant acknowledges and agrees (i) that the Fixed Annual Rent hereinabove set forth in this Lease does not yet, but is to include an ERIF of $3.00 per rentable square foot to compensate Landlord for electrical wiring and other installations necessary for, and for its obtaining and making available to Tenant the redistribution of electric current as an additional service, and Tenant shall pay for Tenant's Share of Building electric current (i.e., all electricity used in lighting the public and service areas, and in operating all the service facilities, of the Building and the parties acknowledge and agree that

twenty percent (20%) of the Building's payment to the public utility or other service providers for the purchase of electricity shall be deemed to be payment for Building electric current, however, in no event shall Tenant's charge exceed the sum of twenty five ($.25) cents per rentable square foot of space per calendar year during the term of this Lease) which shall be paid for by Tenant in accordance with provisions hereof; and (ii) that said ERIF, which shall be subject to periodic adjustments as hereinafter provided, has been partially based upon an estimate of the Tenant's connected electrical load, in whatever manner delivered to Tenant, which shall be deemed to be the demand (KW), and hours of use thereof, which shall be deemed to be the energy (KWH), for ordinary lighting and light office equipment and the operation of the usual small business machines, including Xerox or other copying machines (such lighting and equipment are hereinafter called "Ordinary Equipment") during ordinary business hours ("Ordinary Business Hours" shall be deemed to mean 50 hours per week), with Landlord providing an average connected load of 4 ½ watts of electricity for all purposes per rentable square foot. Any installation and use of equipment other than Ordinary Equipment and/or any connected load and/or energy usage by Tenant in excess of the foregoing and the charge for Tenant's Share of Building electric current shall result in adjustment of the ERIF as hereinafter provided. For purposes of this Article, the rentable square foot area of the Premises shall be deemed to be 1,963 square feet.

41.04 If the cost to Landlord of electricity shall have been, or shall be, increased subsequent to September 1, 2004 (whether such change occurs prior to or during the term of this Lease), by change in Landlord's electric rates or service classifications, or electricity charges, including changes in market prices, or by an increase, subsequent to the last such electric rate or service classification change or market price change, in fuel adjustments or charges of any kind, or by taxes, imposed on Landlord's electricity purchases or on Landlord's electricity redistribution, or for any other such reason, then the aforesaid ERIF portion of the fixed annual rent shall be changed in the same percentage as any such change in cost due to changes in electric rates, service classifications or market prices, and, also Tenant's payment obligation, for electricity redistribution, shall change from time to time so as to reflect any such increase in fuel adjustments or charges, and such taxes. Any such percentage change in Landlord's cost due to change in Landlord's electric rate or service classifications or market prices, shall be computed on the basis of the average consumption of electricity for the Building for the twelve full months immediately prior to the rate change or other such changes in cost, energy and demand, and any changed methods of or rules on billing for same, applied on a consistent basis to the new electric rate or service classification or market price and to the immediately prior existing electric rate or service classification or market price. If the average consumption (energy and demand) for the entire Building for said prior (12) months cannot reasonably be applied and used with respect to changed methods of or rules on billing, then the percentage increase shall be computed by the use of the average consumption (energy and demand) for the entire building for the first three (3) months after such change, projected to a full twelve (12) months, so as to reflect the different seasons; and that same consumption, so projected, shall be applied to the rate and/or service classification or market price which existed immediately prior to the change. The parties agree that a reputable, independent electrical consultant firm, selected by Landlord, ("Landlord's Electrical Consultant"), shall determine the percentage change for the changes in ERIF due to Landlord's changed costs and the charge to Tenant for Tenant's Share of Building electric current, and that Landlord's Electrical Consultant may from time to time make surveys in the Premises of the electrical equipment and fixtures and use of current. (i) If such survey shall reflect a connected electrical

load in excess of 4 ½ watts of electricity for all purposes per rentable square foot and/or energy usage in excess of Ordinary Business Hours (each such excess hereinafter called "excess electricity") then the connected electrical load and/or the hours of use portion(s) of the then existing ERIF shall be increased by an amount which is equal to a fraction of the then existing ERIF, the numerator of which is the excess electricity (i.e. excess connected load and/or excess usage) and the denominator of which is the connected load and/or the energy usage which was the basis of the then existing ERIF. Such fractions shall be determined by Landlord's Electrical Consultant. The Fixed Annual Rent shall then be appropriately adjusted, effective as of the date of any such change in connected load and/or usage, as disclosed by said survey. (ii) If such survey shall disclose installation and use of other than Ordinary Equipment, then effective as of the date of said survey, there shall be added to the ERIF portion of Fixed Annual Rent (computed and fixed as hereinbefore described) an additional amount equal to what would be paid under the SC-4 Rate I Service Classification in effect on September 1, 2004 (and not the time-of-day rate schedule) or the comparable rate schedule (and not the time-of-day rate schedule) of any utility other than Con Ed then providing electrical service to the building as same shall be in effect on the date of such survey for such load and usage of electricity, with the connected electrical load deemed to be the demand (KW) and the hours of use thereof deemed to be the energy (KWH), as hereinbefore provided, (which addition to the ERIF shall be increased by all electricity cost changes of Landlord, as hereinabove provided, from September 1, 2004 through the date of billing).

41.05 In no event, whether because of surveys, rates or cost changes, or for any reason, is the originally specified $3.00 per rentable square foot ERIF portion of the fixed annual rent (plus any net increase thereof by virtue of all electricity rate, service classification or market price changes of Landlord subsequent to September 1, 2004) to be reduced.

41.06 The determinations by Landlord's Electrical Consultant shall be binding and conclusive on Landlord and Tenant from and after the delivery of copies of such determinations to Landlord and Tenant, unless, within fifteen (15) days after delivery thereof, Tenant disputes such determination. If Tenant so disputes the determination, it shall, at its own expense, obtain from a reputable, independent electrical consultant its own determinations in accordance with the provisions of this Article. Tenant's consultant and Landlord's consultant then shall seek to agree. If they cannot agree within thirty (30) days they shall choose a third reputable electrical consultant, whose cost shall be shared equally by the parties, to make similar determinations which shall be controlling. (If they cannot agree on such third consultant within ten (10) days, than either party may apply to the Supreme Court in the County of New York for such appointment.) However, pending such controlling determinations Tenant shall pay to Landlord the amount of Additional Rent or ERIF in accordance with the determinations of Landlord's Electrical Consultant. If the controlling determinations differ from Landlord's Electrical Consultant, then the parties shall promptly make adjustment for any deficiency owed by Tenant or overage paid by Tenant.

41.07 If and so long as Landlord provides electricity to the Premises on a submetering basis, Tenant covenants and agrees to purchase the same from Landlord or Landlord's designated agent at charges, terms and rates set, from time to time, during the term of this Lease by Landlord but not more than those specified in the service classification in effect on January 1, 1970 pursuant to which Landlord then purchased electric current from the public utility

corporation serving the part of the city where the Building is located; provided however, said charges shall be increased in the same percentage as any percentage increase in the billing to Landlord for electricity for the entire Building, by reason of increase in Landlord's electric rates or service classifications, subsequent to January 1, 1970, and so as to reflect any increase in Landlord's electric charges, including changes in market prices for electricity from utilities and/or other providers, in fuel adjustments or by taxes or charges of any kind imposed on Landlord's electricity purchases or redistribution, or for any other such reason, subsequent to said date. Any such percentage increase in Landlord's billing for electricity due to changes in rates, service classifications, or market prices, shall be computed by the application of the average consumption (energy and demand) of electricity for the entire Building for the twelve (12) full months immediately prior to the rate and/or service classification change, or any changed methods of or rules on billing for same, applied on a consistent basis to the new rate and/or service classification or market price, and to the classification and rate in effect on January 1, 1970. If the average consumption of electricity for the entire Building for said prior twelve (12) months cannot reasonably be applied and used with respect to changed methods of or rules on billing, then the percentage shall be computed by the use of the average consumption (energy and demand) for the entire Building for the first three (3) months after such change, projected to a full twelve (12) months, so as to reflect the different seasons; and that same consumption, so projected, shall be applied to the service classification and rate in effect on January 1, 1970. Where more than one meter measures the service of Tenant in the Building, the service rendered through each meter may be computed and billed separately in accordance with the rates herein specified. Bills therefore shall be rendered at such times as Landlord may elect and the amount, as computed from a meter, shall be deemed to be, and be paid as, Additional Rent. In the event that such bills are not paid within five (5) days after the same are rendered, Landlord may, without further notice, discontinue the service of electric current to the Premises without releasing Tenant from any liability under this Lease and without Landlord or Landlord's agent incurring any liability for any damage or loss sustained by Tenant by such discontinuance of service. If any tax is imposed upon Landlord's receipt from the sale, resale or redistribution of electricity or gas or telephone service to Tenant by any Federal, State, or Municipal authority, Tenant covenants and agrees that where permitted by law, Tenant's pro-rata share of such taxes shall be passed on to and included in the bill of, and paid by, Tenant to Landlord.

41.08 If all or part of the submetering Additional Rent or the ERIF payable in accordance with Section 41.03 or 41.04 of this Article becomes uncollectible or reduced or refunded by virtue of any law, order or regulations, the parties agree that, at Landlord's option, in lieu of submetering Additional Rent or ERIF, and in consideration of Tenant's use of the Building's electrical distribution system and receipt of redistributed electricity and payment by Landlord of consultant's fees and other redistribution costs, the Fixed Annual Rental rate(s) to be paid under this Agreement shall be increased by an "alternative charge" which shall be a sum equal to $3.00 per year per rentable square foot of the Premises, changed in the same percentage as any increase in the cost to Landlord for electricity for the entire Building subsequent to September 1, 2004, because of electric rate, service classification or market price changes, such percentage change to be computed as in Section 41.04 provided.

41.09 Landlord shall not be liable to Tenant for any loss or damage or expense which Tenant may sustain or incur if either the quantity or character of electric service is changed

or is no longer available or suitable for Tenant's requirements. Tenant covenants and agrees that at all times its use of electric current shall never exceed the capacity of existing feeders to the Building or wiring installation. Any riser or risers to supply Tenant's electrical requirements, upon written request of Tenant, will be installed by Landlord, at the sole cost and expense of Tenant, if, in Landlord's sole judgment, the same are necessary and will not cause permanent damage or injury to the Building or the Premises or cause or create a dangerous or hazardous condition or entail excessive or unreasonable alterations, repairs or expense or interfere with or disturb other tenants or occupants. In addition to the installation of such riser or risers, Landlord will also at the sole cost and expense of Tenant, install all other equipment proper and necessary in connection therewith subject to the aforesaid terms and conditions. The parties acknowledge that they understand that it is anticipated that electric rates, charges, etc., may be changed by virtue of time-of-day rates or changes in other methods of billing, and/or electricity purchases and the redistribution thereof, and fluctuation in the market price of electricity, and that the references in the foregoing paragraphs to changes in methods of or rules on billing are intended to include any such changes. Anything hereinabove to the contrary notwithstanding, in no event is the submetering Additional Rent or ERIF, or any "alternative charge", to be less than an amount equal to the total of Landlord's payments to public utilities and/or other providers for the electricity consumed by Tenant (and any taxes thereon or on redistribution of same) plus 5% thereof for transmission line loss, plus 15% thereof for other redistribution costs. The Landlord reserves the right, at any time upon sixty (60) days' written notice, to change its furnishing of electricity to Tenant from a rent inclusion basis to a submetering basis, or vice versa, or to change to the distribution of less than all the components of the existing service to Tenant. The Landlord reserves the right to terminate the furnishing of electricity on a rent inclusion, submetering, or any other basis at any time, upon sixty (60) days' written notice to the Tenant, in which event the Tenant may make application directly to the public utility and/or other providers for the Tenant's entire separate supply of electric current and Landlord shall permit its wires and conduits, to the extent available and safely capable, to be used for such purpose, but only to the extent of Tenant's then authorized load. Any meters, risers, or other equipment or connections necessary to furnish electricity on a submetering basis or to enable Tenant to obtain electric current directly from such utility and/or other providers shall be installed at Tenant's sole cost and expense. Only rigid conduit or electricity metal tubing (EMT) will be allowed. The Landlord, upon the expiration of the aforesaid sixty (60) days' written notice to the Tenant may discontinue furnishing the electric current but this Lease shall otherwise remain in full force and effect. If Tenant was provided electricity on a rent inclusion basis when it was so discontinued, then commencing when Tenant receives such direct service and as long as Tenant shall continue to receive such service, the Fixed Annual Rent payable under this Lease shall be reduced by the amount of the ERIF which was payable immediately prior to such discontinuance of electricity on a rent inclusion basis. Notwithstanding the foregoing, provided that Tenant promptly applies for such direct service and diligently pursues such application to completion, Landlord shall not so discontinue such redistributed service until Tenant obtains electric service directly from the public utility, unless required by law.

ARTICLE 42

LEASE SUBMISSION

42.01 Landlord and Tenant agree that this Lease is submitted to Tenant on the understanding that it shall not be considered an offer and shall not bind Landlord in any way unless and until (i) Tenant has duly executed and delivered duplicate originals thereof to Landlord and (ii) Landlord has executed and delivered one of said originals to Tenant.

ARTICLE 43

INSURANCE

43.01. Tenant shall not violate, or permit the violation of, any condition imposed by the standard fire insurance policy then issued for office buildings in the Borough of Manhattan, City of New York, and shall not do, or permit anything to be done, or keep or permit anything to be kept in the Premises which would subject Landlord to any liability or responsibility for personal injury or death or property damage, or which would increase the fire or other casualty insurance rate on the Building or the property therein over the rate which would otherwise then be in effect (unless Tenant pays the resulting premium as hereinafter provided for) or which would result in insurance companies of good standing refusing to insure the building or any of such property in amounts reasonably satisfactory to Landlord.

43.02 Tenant covenants to provide on or before the earlier to occur of (i) the Commencement Date, and (ii) ten (10) days from the date of this Lease, and to keep in force during the term hereof the following insurance coverage which coverage shall be effective on the Commencement Date:

(a) A comprehensive policy of liability insurance naming Landlord and its designees as additional insureds protecting Landlord, its designees and Tenant against any liability whatsoever occasioned by accident on or about the Premises or any appurtenances thereto. Such policy shall have limits of liability of not less than Three Million ($3,000,000.00) Dollars combined single limit coverage on a per occurrence basis, including property damage. Such insurance may be carried under a blanket policy covering the Premises and other locations of Tenant, if any, provided such a policy contains an endorsement (i) naming Landlord and its designees as additional insureds, (ii) specifically referencing the Premises; and (iii) guaranteeing a minimum limit available for the Premises equal to the limits of liability required under this Lease;

(b) Fire and extended coverage in an amount adequate to cover the cost of replacement of all personal property, fixtures, furnishings, equipment, improvements and installations located in the Premises.

43.03 All such policies shall be issued by companies of recognized responsibility licensed to do business in New York State and rated by Best's Insurance Reports or any successor publication of comparable standing and carrying a rating of A+ VIII or better or the then equivalent of such rating, and all such policies shall contain a provision whereby the same cannot be canceled or modified unless Landlord and any additional insured are given at least thirty (30) days prior written notice of such cancellation or modification.

43.04 Prior to the time such insurance is first required to be carried by Tenant and thereafter, at least fifteen (15) days prior to the expiration of any such policies, Tenant shall deliver to Landlord either duplicate originals of the aforesaid policies or certificates evidencing such insurance, together with evidence of payment for the policy. If Tenant delivers certificates as aforesaid Tenant, upon reasonable prior notice from Landlord, shall make available to Landlord, at the Premises, duplicate originals of such policies from which Landlord may make copies thereof, at Landlord's cost. Tenant's failure to provide and keep in force the aforementioned insurance shall be regarded as a material default hereunder, entitling Landlord to exercise any or all of the remedies as provided in this Lease in the event of Tenant's default. In addition, in the event Tenant fails to provide and keep in force the insurance required by this Lease, at the times and for the durations specified in this Lease, Landlord shall have the right, but not the obligation, at any time and from time to time, and without notice, to procure such insurance and/or pay the premiums for such insurance in which event Tenant shall repay Landlord within five (5) days after demand by Landlord, as Additional Rent, all sums so paid by Landlord and any costs or expenses incurred by Landlord in connection therewith without prejudice to any other rights and remedies of Landlord under this Lease.

43.05 Landlord and Tenant shall each endeavor to secure an appropriate clause in, or an endorsement upon, each fire or extended coverage policy obtained by it and covering the Building, the Premises or the personal property, fixtures and equipment located therein or thereon, pursuant to which the respective insurance companies waive subrogation or permit the insured, prior to any loss, to agree with a third party to waive any claim it might have against said third party. The waiver of subrogation or permission for waiver of any claim hereinbefore referred to shall extend to the agents of each party and its employees and, in the case of Tenant, shall also extend to all other persons and entities occupying or using the Premises in accordance with the terms of this Lease. If and to the extent that such waiver or permission can be obtained only upon payment of an additional charge then, except as provided in the following two paragraphs, the party benefiting from the waiver or permission shall pay such charge upon demand, or shall be deemed to have agreed that the party obtaining the insurance coverage in question shall be free of any further obligations under the provisions hereof relating to such waiver or permission.

43.06 In the event that Landlord shall be unable at any time to obtain one of the provisions referred to above in any of its insurance policies, at Tenant's option, Landlord shall cause Tenant to be named in such policy or policies as one of the insureds, but if any additional premium shall be imposed for the inclusion of Tenant as such an assured, Tenant shall pay such additional premium upon demand. In the event that Tenant shall have been named as one of the insureds in any of Landlord's policies in accordance with the foregoing, Tenant shall endorse promptly to the order of Landlord, without recourse, any check, draft or order for the payment of money representing the proceeds of any such policy or any other payment growing out of or connected with said policy and Tenant hereby irrevocably waives any and all rights in and to such proceeds and payments.

43.07 In the event that Tenant shall be unable at any time to obtain one of the provisions referred to above in any of its insurance policies, Tenant shall cause Landlord to be named in such policy or policies as one of the insureds, but if any additional premium shall be imposed for the inclusion of Landlord as such an assured, Landlord shall pay such additional

premium upon demand or Tenant shall be excused from its obligations under this paragraph with respect to the insurance policy or policies for which such additional premiums would be imposed.

43.08 Subject to the foregoing provisions of this Article, and insofar as may be permitted by the terms of the insurance policies carried by it, each party hereby releases the other with respect to any claim (including a claim for negligence) which it might otherwise have against the other party for loss, damages or destruction with respect to its property by fire or other casualty (including rental value or business interruption, as the case may be) occurring during the Term of this Lease.

43.09 If, by reason of a failure of Tenant to comply with the provisions of this Lease, the rate of fire insurance with extended coverage on the building or equipment or other property of Landlord shall be higher than it otherwise would be, Tenant shall reimburse Landlord, on demand, for that part of the premiums for fire insurance and extended coverage paid by Landlord because of such failure on the part of Tenant.

43.10. Landlord may, from time to time, require that the amount of the insurance to be provided and maintained by Tenant hereunder be increased so that the amount thereof adequately protects Landlord's interest, but in no event in excess of the amount that would be required by other tenants in other similar office buildings in the borough of Manhattan.

43.11 A schedule or make up of rates for the building or the Premises, as the case may be, issued by the New York Fire Insurance Rating Organization or other similar body making rates for fire insurance and extended coverage for the premises concerned, shall be conclusive evidence of the facts therein stated and of the several items and charges in the fire insurance rate with extended coverage then applicable to such premises.

43.12 Each policy evidencing the insurance to be carried by Tenant under this Lease shall contain a clause that such policy and the coverage evidenced thereby shall be primary with respect to any policies carried by Landlord, and that any coverage carried by Landlord shall be excess insurance.

ARTICLE 44

SIGNAGE

44.01 Tenant shall be permitted to affix either sign or plaque on or adjacent to the entrance door to the Premises, subject to the prior written approval of Landlord which shall not be unreasonably withheld subject to the other provisions of this article, with respect to location, design, size, materials, quality, coloring, lettering and shape thereof, and subject, also, to compliance by Tenant, at its expense, with all applicable legal requirements or regulations. All such signage shall be consistent and compatible with the design, aesthetics, signage and graphics program for the Building as established by Landlord. Landlord may remove any sign installed in

violation of this provision, and Tenant shall pay the cost of such removal and any restoration costs.

ARTICLE 45

RIGHT TO RELOCATE

45.01 Notwithstanding anything contained in this Lease to the contrary, Landlord shall have the right to substitute in lieu of the Premises alternative space in the Building designated by Landlord (the "Relocation Space") effective as of the date (the "Relocation Effective Date") set forth in a notice given to Tenant (the "Relocation Notice"). The Relocation Space shall be reasonably comparable to the Premises with respect to internal configuration, quality of finish and rentable square foot area (i.e., plus or minus ten (10%) percent). The Relocation Effective Date shall not be less than sixty (60) days following the date upon which the Relocation Notice is given to Tenant. In the event that Landlord exercises its rights hereunder, (i) Tenant shall deliver to Landlord possession of the Premises on or before the Relocation Effective Date vacant and broom clean, free of all occupancies and encumbrances and otherwise in accordance with the terms, covenants and conditions of the Lease as if the Relocation Effective Date were the expiration date of the Term of this Lease, (ii) effective as of the Relocation Effective Date, the term and estate hereby granted with respect to the Premises originally demised hereunder shall terminate, the Relocation Space shall be deemed to be the Premises and the Fixed Annual Rent and Additional Rent payable under this Lease shall be adjusted, if necessary, so as to reflect any difference between the deemed rentable square foot area of the original Premises and said Relocation Space.

45.02 Provided that Tenant is not in default under this Lease, Landlord shall (i) at Landlord's cost and expense, remove and reinstall Tenants' personal property, trade fixtures and equipment in the Relocation Space (including the relocation of Tenant's then existing voice and data capabilities) ("Landlord's Relocation Work") and (ii) compensate Tenant for Tenant's actual, reasonable, out-of-pocket moving and related expenses upon Tenant's submission of paid invoices therefor. Landlord shall complete Landlord's Relocation Work on or before the Relocation Effective Date provided that Tenant cooperates with Landlord and gives Landlord full access to the Premises to facilitate the performance thereof.

45.03 Following any relocation undertaken pursuant to this Article, Tenant shall promptly execute and deliver an agreement confirming such relocation and fixing any corresponding adjustments in Fixed Annual Rent and Additional Rent payable under this Lease, but any failure to execute such an agreement by Tenant shall not affect such relocation and adjustments as determined by Landlord.

45.04 Notwithstanding anything contained herein to the contrary, Landlord and Tenant agree that in no event shall the fixed annual rent payable hereunder be increased in the event the Relocation Space is larger than the Premises.

ARTICLE 46

FUTURE CONDOMINIUM CONVERSION

46.01 Tenant acknowledges that the Building and the land of which the Premises form a part may be subjected to the condominium form of ownership prior to the end of the Term of this Lease. Tenant agrees that if, at any time during the Term, the Building and the land shall be subjected to the condominium form of ownership, then, this Lease and all rights of Tenant hereunder are and shall be subject and subordinate in all respects to any condominium declaration and any other documents (collectively, the "Declaration") which shall be recorded in order to convert the Building and the land of which the Premises form a part to a condominium form of ownership in accordance with the provisions of Article 9-B of the Real Property Law of the State of New York or any successor thereto. If any such Declaration is to be recorded, Tenant, upon request of Landlord, shall enter into an amendment of this Lease in such respects as shall be necessary to conform to such condominiumization, including, without limitation, appropriate adjustments to Real Estate Taxes payable during the Base Tax Year and Tenant's Share, as such terms are defined in Article 32 hereof provided that it does not materially increase Tenant's obligations under the Lease or materially decrease the marketable square footage of the Premises.

ARTICLE 47

MISCELLANEOUS

47.01 This Lease represents the entire understanding between the parties with regard to the matters addressed herein and may only be modified by written agreement executed by all parties hereto. All prior understandings or representations between the parties hereto, oral or written, with regard to the matters addressed herein are hereby merged herein. Tenant acknowledges that neither Landlord nor any representative or agent of Landlord has made any representation or warranty, express or implied, as to the physical condition, state of repair, layout, footage or use of the Premises or any matter or thing affecting or relating to Premises except as specifically set forth in this Lease. Tenant has not been induced by and has not relied upon any statement, representation or agreement, whether express or implied, not specifically set forth in this Lease. Tenant shall not be liable or bound in any manner by any oral or written statement, broker's "set-up", representation, agreement or information pertaining to the Premises, the Building or this Agreement furnished by any real estate broker, agent, servant, employee or other person, unless specifically set forth herein, and no rights are or shall be acquired by Tenant by implication or otherwise unless expressly set forth herein. This Lease shall be construed without regard to any presumption or other rule requiring construction against the party causing this agreement to be drafted.

ARTICLE 48

COMPLIANCE WITH LAW

48.01 If, at any time during the Term hereof, Landlord expends any sums for alterations or improvements to the Building which are required to be made pursuant to any law, ordinance or governmental regulation, Tenant shall pay to Landlord, as Additional Rent, Tenant's Share of such cost within ten (10) days after demand therefor; provided, however, that if the cost of such alteration or improvement is one which is required to be amortized over a period of time pursuant to applicable governmental regulations, Tenant shall pay to Landlord, as Additional Rent, during each year in which occurs any part of the Term, Tenant's Share of the cost thereof amortized on a straight line basis over an appropriate period, but not more than five (5) years. In no event shall Tenant's Share exceed the sum of one ($1.00) dollar per rentable square foot of space per calendar year during the term of this Lease. Notwithstanding anything to the contrary contained herein, in the event that the requirement for the performance of any such alteration of improvement is attributable to the actions, installations, use or manner of use of the Premises by Tenant, then in such event Tenant shall be responsible to pay the entire cost imposed by Landlord with respect to such alteration of improvement.

IN WITNESS WHEREOF, the said Landlord, and the Tenant have duly executed this Lease as of the day and year first above written.

SLG GRAYBAR SUBLEASE LLC, a New York limited liability company

By: /s/ Gerard T. Nocera

Name: Gerard T. Nocera
Title: COO

Witness:

/s/ Lisa Manning

Name: Lisa Manning
Title: Administrative Assistant

XENOMICS, INC., as Tenant

By: /s/ Gabriele M. Cerrone

Name: Gabriele M. Cerrone
Title: Co-Chairman

Witness:

Name:
Title:

RULES AND REGULATIONS
MADE A PART OF THIS LEASE

1. No animals, birds, bicycles or vehicles shall be brought into or kept in the Premises. The Premises shall not be used for manufacturing or commercial repairing or for sale or display of merchandise or as a lodging place, or for any immoral or illegal purpose, nor shall the Premises be used for a public stenographer or typist; barber or beauty shop; telephone, secretarial or messenger service; employment, travel or tourist agency; school or classroom; commercial document reproduction; or for any business other than specifically provided for in the Tenant's lease. Tenant shall not cause or permit in the Premises any disturbing noises which may interfere with occupants of this or neighboring Buildings, any cooking or objectionable odors, or any nuisance of any kind, or any inflammable or explosive fluid, chemical or substance. Canvassing, soliciting and peddling in the Building are prohibited, and each tenant shall cooperate so as to prevent the same.

2. The toilet rooms and other water apparatus shall not be used for any purposes other than those for which they were constructed, and no sweepings, rags, ink, chemicals or other unsuitable substances shall be thrown therein. Tenant shall not place anything out of doors, windows or skylights, or into hallways, stairways or elevators, nor place foot or objects on outside window sills. Tenant shall not obstruct or cover the halls, stairways and elevators, or use them for any purpose other than ingress and egress to or from Tenant's Premises, nor shall skylights, windows, doors and transoms that reflect or admit light into the Building be covered or obstructed in any way. All drapes and blinds installed by Tenant on any exterior window of the Premises shall conform in style and color to the Building standard.

3. Tenant shall not place a load upon any floor of the Premises in excess of the load per square foot which such floor was designed to carry and which is allowed by law. Landlord reserves the right to prescribe the weight and position of all safes, file cabinets and filing equipment in the Premises. Business machines and mechanical equipment shall be placed and maintained by Tenant, at Tenant's expense, only with Landlord's consent and in settings approved by Landlord to control weight, vibration, noise and annoyance. Smoking or carrying lighted cigars, pipes or cigarettes in the elevators of the Building is prohibited.

4. Tenant shall not move any heavy or bulky materials into or out of the Building or make or receive large deliveries of goods, furnishings, equipment or other items without Landlord's prior written consent, and then only during such hours and in such manner as Landlord shall approve and in accordance with Landlord's rules and regulations pertaining thereto. If any material or equipment requires special handling, tenant shall employ only persons holding a Master Rigger's License to do such work, and all such work shall comply with all legal requirements. Landlord reserves the right to inspect all freight to be brought into the Building, and to exclude any freight which violates any rule, regulation or other provision of this Lease.

5. No sign, advertisement, notice or thing shall be inscribed, painted or affixed on any part of the Building, without the prior written consent of Landlord. Landlord may remove

anything installed in violation of this provision, and Tenant shall pay the cost of such removal and any restoration costs. Interior signs on doors and directories shall be inscribed or affixed by Landlord at Tenant's expense. Landlord shall control the color, size, style and location of all signs, advertisements and notices. No advertising of any kind by Tenant shall refer to the Building, unless first approved in writing by Landlord.

6. No article shall be fastened to, or holes drilled or nails or screws driven into, the ceilings, walls, doors or other portions of the Premises, nor shall any part of the Premises be painted, papered or otherwise covered, or in any way marked or broken, without the prior written consent of Landlord.

7. No existing locks shall be changed, nor shall any additional locks or bolts of any kind be placed upon any door or window by Tenant, without the prior written consent of Landlord. Two (2) sets of keys to all exterior and interior locks shall be furnished to Landlord . At the termination of this Lease, Tenant shall deliver to Landlord all keys for any portion of the Premises or Building. Before leaving the Premises at any time, Tenant shall close all windows and close and lock all doors.

8. No Tenant shall purchase or obtain for use in the Premises any spring water, ice, towels, food, bootblacking, barbering or other such service furnished by any company or person not approved by Landlord. Any necessary exterminating work in the Premises shall be done at Tenant's expense, at such times, in such manner and by such company as Landlord shall require. Landlord reserves the right to exclude from the Building, from 6:00 p.m. to 8:00 a.m., and at all hours on Sunday and legal holidays, all persons who do not present a pass to the Building signed by Landlord. Landlord will furnish passes to all persons reasonably designated by Tenant. Tenant shall be responsible for the acts of all persons to whom passes are issued at Tenant's request.

9. Whenever Tenant shall submit to Landlord any plan, agreement or other document for Landlord's consent or approval, Tenant agrees to pay Landlord as Additional Rent, on demand, an administrative fee equal to the sum of the reasonable fees of any architect, engineer or attorney employed by Landlord to review said plan, agreement or document and Landlord's administrative costs for same.

10. The use in the Premises of auxiliary heating devices, such as portable electric heaters, heat lamps or other devices whose principal function at the time of operation is to produce space heating, is prohibited.

11. Tenant shall keep all doors from the hallway to the Premises closed at all times except for use during ingress to and egress from the Premises. Tenant acknowledges that a violation of the terms of this paragraph may also constitute a violation of codes, rules or regulations of governmental authorities having or asserting jurisdiction over the Premises, and Tenant agrees to indemnify Landlord from any fines, penalties, claims, action or increase in fire insurance rates which might result from Tenant's violation of the terms of this paragraph.

12. Tenant shall be permitted to maintain an "in-house" messenger or delivery service within the Premises, provided that Tenant shall require that any messengers in its employ affix identification to the breast pocket of their outer garment, which shall bear the following information: name of Tenant, name of employee and photograph of the employee. Messengers in Tenant's employ shall display such identification at all time. In the event that Tenant or any agent, servant or employee of Tenant, violates the terms of this paragraph, Landlord shall be entitled to terminate Tenant's permission to maintain within the Premises in-house messenger or delivery service upon written notice to Tenant.

13. Tenant will be entitled to three (3) listings on the Building lobby directory board, without charge. Any additional directory listing (if space is available), or any change in a prior listing, with the exception of a deletion, will be subject to a fourteen ($14.00) dollar service charge, payable as Additional Rent.

14. In case of any conflict or inconsistency between any provisions of this Lease and any of the rules and regulations as originally or as hereafter adopted, the provisions of this Lease shall control.

CLEANING SPECIFICATIONS

A) GENERAL CLEANING - NIGHTLY

- Dust sweep all stone, ceramic tile, marble terrazzo, asphalt tile, linoleum, rubber, vinyl and other types of flooring
- Carpet sweep all carpets and rugs four (4) times per week
- Vacuum clean all carpets and rugs, once (1) per week
- Police all private stairways and keep in clean condition
- Empty and clean all wastepaper baskets, ash trays and receptacles; damp dust as necessary
- Clean all cigarette urns and replace sand or water as necessary
- Remove all normal wastepaper and tenant rubbish to a designated area in the premises. (Excluding cafeteria waste, bulk materials, and all special materials such as old desks, furniture etc.)
- Dust all furniture, and window sills as necessary
- Dust clean all glass furniture tops
- Dust all chair rails, trim and similar objects as necessary
- Dust all baseboards as necessary
- Wash clean all water fountains
- Keep locker and service closets in clean and orderly condition

B) LAVATORIES-NIGHTLY (EXCLUDING PRIVATE & EXECUTIVE LAVATORIES)

- Sweep and mop all flooring
- Wipe clean all mirrors, powder shelves and brightwork, including flushometers, piping toilet seat hinges

- Wash and disinfect all basins, bowls and urinals
- Wash both sides of all toilet seats
- Dust all partitions, tile walls, dispensers and receptacles
- Empty and clean paper towel and sanitary disposal receptacles
- Fill toilet tissue holders, soap dispensers and towel dispensers; materials to be furnished by Landlord
- Remove all wastepaper and refuse to designated area in the premises

C) LAVATORIES-PERIODIC CLEANING (EXCLUDES PRIVATE & EXECUTIVE LAVATORIES)

- Machine scrub flooring as necessary
- Wash all partitions, tile walls, and enamel surfaces periodically, using proper disinfectant when necessary

D) DAY SERVICES - DUTIES OF THE DAY PORTERS

- Police ladies' restrooms and lavatories, keeping them in clean condition
- Fill toilet dispensers; materials to be furnished by Landlord
- Fill sanitary napkin dispensers; materials to be furnished by Landlord

E) SCHEDULE OF CLEANING

- Upon completion of the nightly chores, all lights shall be turned off, windows closed, doors locked and offices left in a neat and orderly condition
- All day, nightly and periodic cleaning services as listed herein, to be done five nights each week, Monday through Friday, except Union and Legal Holidays
- All windows from the 2nd floor to the roof will be cleaned inside out quarterly, weather permitting

EXHIBIT B

FIXED ANNUAL RENT SCHEDULE

DATES	ANNUAL RENT	MONTHLY INSTALLMENT
September 15, 2004 - September 30, 2005	$71,649.50	$5,970.79
October 1, 2005 - September 30, 2006	$73,082.49	$6,090.20
October 1, 2006 - September 30, 2007	$74,544.14	$6,212.01
October 1, 2007 - September 30, 2008	$76,035.02	$6,336.25
October 1, 2008 - September 30, 2009	$77,555.72	$6,462.98
October 1, 2009 - September 30, 2010	$79,106.84	$6,592.24
October 1, 2010 - September 30, 2011	$80,688.97	$6,724.08

EXHIBIT C

(i) Pursuant to the plans annexed hereto and made a part hereof as Exhibit C-1, Landlord shall construct and install a glass-walled conference room using building standard materials, in a building standard manner.

THIS LEASE AGREEMENT, made this this 7th day of July 2004,

Between Princeton Corporate Plaza, LLC,
a New Jersey limited liability company, located at 7 Deer Park Drive, Suite A, in the Township of South Brunswick in the County of Middlesex and State of New Jersey and having a postal address at Monmouth Junction, NJ 08852 ("**Landlord**"),

And Xenomics, Inc.,
a California Corporation, located at 6034 Montery Avenue, in the City of Richmond in the County of Contra Costa and State of California and having a postal code of 94805 ("**Tenant**");

Witnesseth that Landlord does hereby lease to Tenant and Tenant does hereby rent from Landlord, the following described premises: approximately 3,698 square feet of space in Landlord's building at 1 Deer Park Drive, Suite F (the "**Demised Premises**"), in the Township of South Brunswick in the County of Middlesex and State of New Jersey being known as Block 97 Lot 13.04 on the tax map of the Township of South Brunswick (the "**Property**") and being further described as the cross-hatched area on the Demised Premises Plan marked **Exhibit A** attached hereto and made a part hereof, for a **Term** of two (2) years, commencing on September 1, 2004 (the "**Commencement Date**") and ending on August 31, 2006 (the "**Expiration Date**"), to be used and occupied only and for no other purpose than office and laboratory (the "**Use**"), provided, however, that said Use shall be strictly limited and subject to the activities set forth in Tenant's Application for Nonresidential Use Performance Standards and Tenancy Review submitted to and approved by the Township of South Brunswick regardless of whether said approval has been received as of the date of execution of this Lease (the "Tenancy Review").

Upon the following Conditions and Covenants:

1st **Payment of Rent**. Commencing on the Commencement Date, Tenant covenants and agrees to pay to Landlord, as **Base Rent** for and during the Term hereof without defense, demand or offset, the sum of One Hundred Seventy Seven Thousand Five Hundred Four Dollars and no/100 Dollars ($177,504.00) payable on the first day of each month during the Term in the following manner: $7,396.00 per month together with such Additional Rent as may hereinafter be provided (collectively, the "**Rent**"). If the Commencement Date shall fall on a day other than the first day of a month, the Base Rent and any Additional Rent payable hereunder shall be apportioned for the number of days remaining in that month from the Commencement Date through the last day of the calendar month in which the Commencement Date occurs.

2nd **Advance Rental**. Upon the execution hereof, Tenant shall pay $24,820.00 to Landlord representing:

1) one month's advance rental (applied to the first month's rent) broken out as follows:

- one (1) month's Base Rent in the amount of $7,396.00
- one-twelfth (1/12) of Tenant's Proportionate Share of estimated annual Operating Expenses $1,310.00
- one (1) month's HVAC maintenance in the amount of $90.00
- one (1) month's gas and electric usage in the amount of $1,232.00

2) the security required hereunder in the amount of $14,792.00

3rd **Not Used**.

4th **Security**. Tenant has this day deposited with Landlord the sum of $14,792.00, as security for the pay-ment of the Rent hereunder and the full and faithful performance by Tenant of the covenants and conditions on the part of Tenant to be performed. Said sum shall be returned to Tenant, without interest, after the expiration of the Term hereof provided that Tenant has fully and faithfully performed all such covenants and conditions on the part of Tenant to be performed. During the Term hereof, Landlord may, if Landlord so elects, have recourse to such security, to make good any default by Tenant in which event Tenant, shall, on demand, promptly restore said security to its original amount. Liability to repay said security to Tenant shall run with the reversion and title to the Demised Premises, whether any change in ownership thereof be by voluntary alienation or as the result of judicial sale, foreclosure or other proceedings, or the exercise of a right of taking or entry by any mortgagee. Landlord shall have the right to assign or transfer said security for the benefit of Tenant, to any subsequent owner or holder of the reversion or title to the Demised Premises, in which case the assignee shall become liable for the repayment thereof as herein provided, and the assignor shall be deemed to be released by Tenant from all liability to return such security. This provision shall be applicable to every alienation or change in title and shall in no way be deemed to permit Landlord to retain the security after termination of Landlord's ownership of the reversion or title. Tenant shall not mortgage, encumber or assign said security without the prior written consent of Landlord.

5th **Net Lease**. It is the purpose and intent of Landlord and Tenant that the Base Rent shall be net to Landlord, so that this Lease shall yield, net to Landlord, the Base Rent specified in the 1st Section of this Lease in each year during the Term of this Lease. All costs, expenses, taxes, damages and charges of every kind and nature relating to the Demised Premises (except any payment on account of interest and principal under any mortgages or deeds of trust) which may arise or become due during the Term of this Lease shall be paid by Tenant.

6th **Proportionate Share**.

1) The approximate area of the Demised Premises leased to Tenant is approximately 3,698 square feet. The total area of the building of which the Demised Premises are a part is approximately 60,097 square feet.

Tenant's share of costs and charges, if applicable, as set forth in this Lease shall be determined by dividing the square footage of the Demised Premises by the total square footage of the building of which the Demised Premises is a part ("**Tenant's Proportionate Share**"). As of the Commencement Date it is, therefore, established that Tenant's Proportionate Share is six and fifteen one-hundredths percent (6.15%).

2) Tenant's Proportionate Share shall be adjusted from time to time as appropriate based upon adjustments to the total square footage of the building and/or the square footage rented by Tenant.

7th **Operating Expenses**.

1) It is understood and agreed that in addition to the Base Rent to be paid by Tenant during the Term of this Lease and any renewals thereof, Tenant shall pay to Landlord Tenant's Proportionate Share of all taxes, assessments, water rents, rates and charges, sewer rents and other governmental impositions. Tenant shall also pay Tenant's Proportionate Share of Landlord's cost of the operation of common area appurtenances, the maintenance, repairs and replacements of and for the building of which the Demised Premises are a part, the maintenance, repair and replacement of the parking lot, sidewalks, curbs and landscaped areas, which shall include but not necessarily be limited to the following: cleaning, sweeping, snow removal, striping, landscaping, insurance, lighting, trash removal, and policing if necessary, plus an administrative charge of fifteen percent (15%) of said costs ("**Operating Expenses**").

2) Nothing herein contained shall require or be construed to require Tenant to pay any inheritance, estate, succession, transfer, gift, franchise, corporation, income or profit tax, or capital levy that is or may be imposed upon or that is or may be payable by Landlord, its successors or assigns.

3) Commencing on the Commencement Date, Tenant shall pay monthly Tenant's Proportionate Share of Operating Expenses based upon Landlord's reasonable estimate of the current year expenses due from Tenant. Thereafter, Landlord shall provide an actual statement of expenses to Tenant on a calendar year basis and Tenant shall pay or receive a credit for the difference between the actual amount and the estimate. Tenant's subsequent monthly estimated payments shall be adjusted accordingly. Upon Tenant's request, Landlord shall provide to Tenant copies of invoices substantiating the statement of actual expenses. To the extent that Landlord incurs expenses that are disproportionately allocable to Tenant as a result of Tenant's occupancy as determined by Landlord, Tenant's Proportionate Share shall not apply to said disproportionate expense items and Tenant shall pay the amount that is actually incurred by Landlord as a result of its tenancy.

4) Landlord's cost for regular HVAC maintenance to units servicing the Demised Premises shall be billed monthly to Tenant as a separate item.

5) Should Tenant's maintenance or service requirements exceed the standard supplied to the other tenants of the Property, Tenant shall pay the additional costs attributable to such extra requirements. Said additional costs will be billed to Tenant either (i) as incurred or (ii) with the annual Operating Expense reconciliation, in the sole discretion of Landlord.

6) All taxes, charges, costs and expenses which Tenant assumes or agrees to pay under any provisions of this Lease together with all interest and penalties that may accrue thereon in the event of Tenant's failure to pay the same as herein provided shall be deemed to be Additional Rent and, in the event of non-payment, Landlord shall have all the rights and remedies herein provided in the case of non-payment of Rent.

8th **Taxes, Licenses and Fees**. Tenant shall make timely payment of all ad valorem or other taxes and assessments levied upon Tenant's stock of merchandise, fixtures, furnishings, furniture, equipment, supplies and other property located on or used in connection with the Demised Premises and of all privilege and business licenses, fees, taxes and similar charges.

9th **Tenant's Electric Responsibility**.

1) All electrical current utilized by Tenant within the Demised Premises, including, without limitation, HVAC shall be at Tenant's sole cost and expense. Landlord shall not be liable for any inconvenience or harm caused by any stoppage or reduction of any utilities and services, and in no event shall the stoppage of any utilities and services excuse Tenant from the timely payment of Rent.

2) Landlord may install a separate meter to measure Tenant's use of electricity and, in such event, Tenant shall, at Tenant's sole cost and expense, arrange and pay for all utilities and services required for the Demised Premises, including payment of any deposit which may be required by the utility company.

3) In the event a separate meter is not provided, then bills shall be rendered to Tenant based upon an estimated amount of $924.00 per month. The estimated amount may be adjusted from time to time based upon changes in utility company rates or if, in the judgment of Landlord, Tenant's demand and consumption varies from this estimate. The amount thereof shall be deemed to be Additional Rent and shall be due and payable at the same time as the monthly installments of Rent shall be due from Tenant.

10th **Tenant's Gas Usage Responsibility**.

1) Landlord shall provide Tenant heat at Tenant's sole cost and expense. All gas usage utilized by Tenant within the Demised Premises shall be strictly at Tenant's sole cost and expense. Landlord shall not be liable for any inconvenience or harm caused by any stoppage or reduction of any utilities and services, and in no event shall the stoppage of any utilities and services excuse Tenant from the timely payment of Rent.

2) Landlord may install a separate meter to measure Tenant's gas usage and, in such event, Tenant shall, at Tenant's sole cost and expense, arrange and pay for all utilities and services required for the Demised Premises, including payment of any deposit which may be required by the utility company.

3) In the event a separate meter is not provided, then bills shall be rendered to Tenant based upon an estimated amount of $308.00 per month. The estimated amount may be adjusted from time to time based upon changes in utility company rates or if, in the judgment of Landlord, Tenant's demand and consumption varies from this estimate. The amount thereof shall be deemed to be Additional Rent and shall be due and payable at the same time as the monthly installments of Rent shall be due from Tenant

11th Acceptance and Workletter.

1) Landlord shall complete at its own expense and in a good and workmanlike manner all of the alterations set forth on **Exhibit B** ("**Landlord's Work**") attached hereto and made a part hereof.

2) Tenant acknowledges that it has inspected and examined the Demised Premises and, except as set forth in **Exhibit B**, has entered into this Lease without any representations on the part of Landlord, its agents or representatives as to the condition thereof, and, except as set forth in **Exhibit B**, is leasing and accepting the Demised Premises "as-is" and "where-is". No representations or promises, except as specified herein, have been made by or on behalf of Landlord, its agents, employees or representatives, or by any real estate broker, prior to or at the execution of this Lease, and Landlord is not bound by, and Tenant will make no claim on account of, any representation, promise or assurance, expressed or implied, with respect to conditions, repairs, improvements, services, accommodations, concessions or any other matter, other than as contained herein.

12th Commencement Date.

1) The Commencement Date shall be earlier or later than the date set forth at the beginning of this Lease under the following circumstances:

a) The Lease will not commence until the work listed in **Exhibit B**, to be performed by Landlord, is substantially completed, unless Tenant chooses to occupy the Demised Premises, or any part thereof, prior to substantial completion, in which case the Commencement Date shall be the date of said occupancy by Tenant and the Expiration Date shall be the last day of the month immediately preceding the 2nd anniversary of the Commencement Date.

b) Except as provided in the preceding paragraph, the Commencement Date will not be altered if the work listed in **Exhibit B**, to be performed by Landlord, is not substantially completed due to (i)changes requested by Tenant to **Exhibit B** after this Lease was executed or (ii) the failure of Tenant to promptly provide Landlord with any information necessary for the timely completion of the work listed in **Exhibit B** or (iii) the failure of Tenant to cooperate with Landlord in completion of the work listed in **Exhibit B** to such an extent as to cause the delay.

2) If the Commencement Date occurs other than on the first day of a month, the Expiration Date shall be the last day of the calendar month in which the 2nd anniversary of the Commencement Date occurs. Substantial completion shall be deemed to have occurred even though (i) minor details of Landlord's work remain to be done, provided such details do not materially interfere with the Tenant's occupancy of the Demised Premises, or (ii) any work or installation other than Landlord's work being performed by Tenant itself has not been completed.

3) Landlord shall not be liable for failure to give possession of the Demised Premises, or any part thereof, upon the Commencement Date by reason of the fact that the Demised Premises, or any part thereof, are not ready for occupancy, or due to a prior tenant holding over in the Demised Premises or due to any other person being in possession of the Demised Premises or for any other reason.

13th Repairs and Care. Tenant has examined the Demised Premises and has entered into this Lease without any representation on the part of Landlord as to the condition thereof. Tenant shall take good care of the Demised Premises and shall at Tenant's sole cost and expense, make all repairs, including painting and decorating, and shall maintain the Demised Premises in good condition and state of repair. Tenant shall neither encumber nor obstruct the sidewalks, driveways, yards, entrances, hallways and stairs in and about the Property, but shall keep and maintain the same in a neat and clean condition as to its own activities, free from debris, trash and refuse.

14th Glass, Damage and Repairs. In case of the destruction of or any damage to the glass in the Demised Premises, or the destruction of or damage of any kind whatsoever to the Property, which is caused by the carelessness, negligence or improper conduct on the part of Tenant or Tenant's agents, employees, guests licensees, invitees, subtenants, assignees or successors, Tenant shall promptly repair at its sole cost and expense said damage or replace or restore said glass at Tenant's sole cost and expense.

15th Utilities. Tenant shall be responsible for the cost of the prompt repair of any utility, ventilating, heating, air conditioning, electrical, gas and other utility lines within the Demised Premises, except if damage outside the Demised Premises is caused by the acts or omissions of Tenant, its agents, servants or employees, in which event Tenant shall likewise be responsible for the cost of repair of such damage outside the Demised Premises. Landlord will guarantee the HVAC and electrical systems for the period of one (1) year from the Commencement Date except in the case where damage is due to the acts or omissions of Tenant, including, but not limited to, Tenant's failure to reimburse Landlord its HVAC maintenance charges. Landlord shall not be liable for any inconvenience or harm caused by any stoppage or reduction of any utilities and services, and in no

event shall the stoppage or reduction of any utilities and services excuse Tenant from the timely payment of Rent.

16th **Alterations and Improvements**.

1) No alterations, additions or improvements shall be made, and no climate regulating, air conditioning, cooling, heating or sprinkler systems, television or radio antennas, heavy equipment, apparatus or fixtures, shall be installed in or attached to the Demised Premises, without the prior written consent of Landlord, which shall not be unreasonably withheld, and the issuance of all required permits from all government agencies having jurisdiction. Except as provided below, all such alterations, additions or improvements installed in or attached to the Demised Premises shall belong to and become the property of Landlord and be surrendered with the Demised Premises and as a part thereof upon the expiration or sooner termination of this Lease, without hindrance, molestation or injury.

2) Provided that Tenant is not in default of any of the terms of this Lease, Tenant shall have the right to remove any trade fixtures which were installed at Tenant's sole cost and expense; provided, however, that (i) Tenant shall not remove any equipment, furnishings or mechanical fixtures that are fixed in place and mechanically or electrically connected to the building and/or its systems and (ii)Tenant shall restore the Demised Premises to the condition existing prior to the installation of the trade fixtures which are removed, reasonable wear and tear excepted.

17th **Construction Lien**. If any construction, mechanics' or other liens shall be created or filed against the Demised Premises by reason of labor performed or materials furnished for Tenant in the creation, construction, completion, alteration, repair or addition to any building or improvement, Tenant shall, at Tenant's sole cost and expense within ten (10) days of filing, cause such lien or liens to be satisfied and discharged of record together with any other liens that may have been filed. Failure to discharge said liens within the aforesaid ten (10) day period shall entitle Landlord to resort to such remedies as are provided herein in the case of any default of this Lease, in addition to any remedies permitted by law.

18th **Tenant Loans and Landlord Subordination**. Should Tenant desire to use its property located within the Demised Premises as collateral on any loan, Landlord shall not be required to execute any documents evidencing its consent and subordination to any such loan unless and until Landlord has been provided with true copies of all of the loan documents, including, but not limited to, the note, the security agreement and a complete description of the proposed collateral. Any such consent and subordination documents shall be in a form and under terms and conditions that are acceptable to Landlord.

19th **Signs**. Tenant shall not place any signs of any kind whatsoever upon, in or about the Property or any part thereof, except of a design and structure and in or at such places as may be indicated and consented to by Landlord in writing. In case Landlord or Landlord's agents, employees or representatives shall deem it necessary to remove any such signs in order to paint or make any repairs, alterations or improvements in or upon the Property or any part thereof, they may be so removed, but shall be replaced at Landlord's expense when the said repairs, alterations or improvements shall have been completed. Any signs permitted by Landlord shall at all times conform with all municipal ordinances or other laws and regulations applicable thereto. Landlord's consent shall not be required for signs placed within the Demised Premises which are not visible from outside the Demised Premises.

20th **End of Term**. Upon the Expiration Date or sooner termination of this Lease, Tenant shall: (a) leave the Demised Premises in a "broom clean" condition; (b) remove all of Tenant's property; (c) remove all signs in and about the Demised Premises and restore that portion of the Demised Premises on which they were placed; (d) repair all damage caused by moving; and (e) return the Demised Premises to Landlord in the same condition as it was at the beginning of the Term, except for normal wear and tear.

21st **Removal of Tenant's Property**. Any equipment, fixtures, goods or other property of Tenant not removed by Tenant upon the expiration or sooner termination of this Lease or upon any quitting, vacating or abandonment of the Demised Premises by Tenant, or upon Tenant's eviction, shall be considered as abandoned and Landlord shall have the right, without any notice to Tenant, to sell or otherwise dispose of the same, at the sole cost and expense of Tenant, and shall not be accountable to Tenant for any part of the proceeds of such sale, if any.

22nd **Compliance with Laws, Etc**. Tenant shall promptly comply with (i) all laws, ordinances, rules, regulations, requirements and directives of the Federal, State and Municipal governments or public authorities and of all of their departments, bureaus and subdivisions, applicable to and affecting the Demised Premises, its use and occupancy, for the correction, prevention and abatement of nuisances, violations or other grievances in, upon or connected with the Demised Premises, during the Term; and (ii) all orders, regulations, requirements and directives of the Board of Fire Underwriters or similar authority; and (iii) the requirements of any insurance companies which have issued or are about to issue policies of insurance covering the Property and/or its contents, for the prevention of fire or other casualty, damage or injury, at Tenant's sole cost and expense.

23rd **Environmental Matters**.

1) Tenant warrants and represents that, with respect to maintenance and operations thereon of the Demised Premises and any other premises that it occupies anywhere in the United States, it is in compliance with all laws, ordinances, rules, regulations and policies of any government authority having jurisdiction regarding the environment, human health or safety (collectively, "**Environmental Laws**"), including, but not limited to, its storage and use of chemicals, its generation and disposal of hazardous wastes and the training, education and safety of its employees.

2) Tenant shall remain in compliance with the above representations during its entire occupancy of the Property or any part thereof.

3) Landlord and Landlord's agents, employees or other representatives shall have the right to demand documentation supporting these representations. The failure of Tenant to supply any documentation so demanded within sixty (60) days of written notice of such demand (or immediately in the case of an emergency or suspected violation) shall entitle Landlord to the option of canceling this Lease, and the Term hereof is hereby expressly limited accordingly.

4) Tenant shall comply with all of the terms of **Exhibit C** which is attached hereto and made a part hereof.

24th Restriction of Use.

1) Tenant shall not occupy or use the Demised Premises or any part thereof, nor permit or suffer the same to be occupied or used for any purposes other than for the Use, nor for any purpose deemed unlawful, disreputable, or extra-hazardous on account of fire or other casualty, nor in a manner which interferes with other tenants in the beneficial use of their premises.

2) Tenant covenants and agrees not to suffer, allow or permit any offensive or obnoxious vibration, noise, odor or other undesirable effect to emanate from the Demised Premises or from any machine, equipment or other installation therein, or otherwise suffer, allow or permit the same to constitute a nuisance or otherwise interfere with the safety, comfort or convenience of Landlord or any of the other tenants or occupants of the building or their customers, clients, patron, guests, agents or invitees, or any others lawfully in or upon the Property. Tenant, and its employees, customers, clients, patrons, guests, agents or invitees, shall not make or commit any unreasonable noises or disturbances of any kind in the Demised Premises, nor anywhere else on the Property, nor mark or defile the water closets, toilet rooms or the walls, windows, doors or any other part of the Property, nor interfere in any way with other tenants or those having business in the Property. Tenant, and its employees, customers, clients, patrons, guests, agents or invitees, shall comply with the State of New Jersey's law regarding smoking in pubic places and will only smoke in designated areas.

3) Tenant shall not conduct, nor permit any other person to conduct, any auction upon the Demised Premises. Tenant shall not permit the Demised Premises to be used for gambling or any other illegal activity. Canvassing, soliciting and peddling on the Property are prohibited, and Tenant shall cooperate to prevent the same.

25th Assignment and Sublet.

1) Tenant shall not, without the prior written consent of Landlord, assign, mortgage or hypothecate this Lease, nor sublet or sublease the Demised Premises or any part thereof or permit any other person or business to use the Demised Premises except as permitted in this 25th Section. If Tenant shall be a corporation, limited liability company or partnership, more than fifty percent (50%) of the stock, membership interests or partnership interests, as the case may be, shall be deemed an assignment of this Lease and subject to the provisions of this Section. The provisions of this Section shall be binding upon the legal representatives of Tenant and every person to whom Tenant's interest under this Lease passes by operation of law or otherwise, except that it shall not apply to an assignment or subletting to an affiliate, a subsidiary or related entity of Tenant, nor to the sale of Tenant's business or in connection with a merger or consolidation (collectively, a "**Permitted Transfer**"), provided that Tenant has notified Landlord of the Permitted Transfer and supplied Landlord with any reasonable information and documentation it may request.

2) Provided Tenant is not in default under any of the terms or conditions of this Lease, Landlord will not unreasonably withhold consent to a partial sublet of the Demised Premises, provided that Tenant remains in occupancy of the Demised Premises and that the subtenant does not violate any of the terms of this Lease.

3) If Tenant requests Landlord's consent to an assignment of this Lease or a subletting of all or any part of the Demised Premises, Tenant shall submit to Landlord: (i) the name of the proposed assignee or subtenant; (ii) the terms of the proposed assignment or subletting; (iii) the nature of the proposed assignee or subtenant's business and its proposed use of the Demised Premises; (iv) such information as to the financial responsibility and general reputation of the proposed assignee or subtenant as Landlord may require; and (v) a summary of plans and specifications for revising the floor layout of the Demised Premises.

4) Upon receipt of all such information from Tenant, Landlord shall have the option, to be exercised in writing within thirty (30) days after such receipt, to cancel and terminate this Lease if the request is to assign this Lease or to sublet all or substantially all of the Demised Premises or, if the request is to sublet a portion of the Demised Premises only, to cancel and terminate this Lease with respect to such portion, in each case as of the date set forth in Landlord's notice of exercise of such option which shall not be less than thirty (30) nor more than ninety (90) days after the date of such notice. If Landlord shall fail to exercise its option to cancel and terminate this Lease with respect to all or a part of the Demised Premises as above provided, Landlord shall not thereby be deemed to have consented to the proposed assignment or subletting, unless, prior to the expiration of the aforesaid thirty (30) day period, Landlord shall have delivered its written consent thereto to Tenant.

5) If Landlord shall cancel this Lease in whole or in part as above provided, Tenant shall surrender possession of the Demised Premises, or the portion of the Demised Premises which is the subject of the request, as the case may be, on the date set forth in such notice in accordance with the provisions of this Lease relating to surrender of the Demised Premises. If this Lease shall be cancelled as to a portion of the Demised Premises only, (i) the Rent payable by Tenant hereunder shall be adjusted proportionately by multiplying the Rent

then in effect by a fraction, the numerator of which is the number of rentable square feet in the portion of the Demised Premises to be retained and the denominator of which is the rentable square feet of the entire Demised Premises leased at the time of Tenant's request for consent to the assignment or sublet, and (ii) Landlord, at Landlord's expense, shall have the right to make any alterations to the Demised Premises required, in Landlord's judgment, to make the portion of the Demised Premises surrendered a self-contained rental unit with access through corridors to any and all common areas, elevators, toilets and amenities serving such space. At Landlord's request, Tenant shall execute and deliver an agreement, in form satisfactory to Landlord, setting forth any modifications to this Lease contemplated or resulting from the operation of this Section; however, neither Landlord's failure to request such agreement nor Tenant's failure to execute such agreement shall vitiate the effect of any cancellation pursuant to this Section.

6) Notwithstanding any assignment or sublet, Tenant shall not be released from any obligation under this Lease without the express written consent of Landlord, which consent may be withheld in Landlord's sole discretion.

26th **Access to Demised Premises**. Tenant agrees that Landlord and Landlord's agents, employees or other representatives, shall have the right to enter into and upon the Demised Premises or any part thereof, at all reasonable hours and with reasonable notice, for the purpose of examining the same or making such repairs or alterations therein as may be necessary for the safety and preservation thereof as determined in Landlord's sole and absolute discretion. This clause shall not be deemed to be a covenant by Landlord nor be construed to create an obligation on the part of Landlord to make such inspection or repairs. Landlord shall have the right to enter the Demised Premises at any time without notice to Tenant in case of emergency. In all cases of entry by Landlord, Landlord shall use commercially reasonable efforts to minimize disruption of Tenant's use of the Demised Premises.

27th **Reimbursement of Landlord**.

1) If Tenant shall fail or refuse to comply with or perform any conditions and covenants of this Lease, Landlord may, if Landlord so elects, carry out and perform such conditions and covenants, at the cost and expense of Tenant, and the said cost and expense shall be payable on demand, or at the option of Landlord shall be added to the installment of Rent due immediately thereafter but in no case later than one (1) month after such demand, whichever occurs sooner, and shall be due and payable as such. This remedy shall be in addition to such other remedies as Landlord may have hereunder by reason of the breach by Tenant of any of the covenants and conditions contained in this Lease.

2) Tenant shall pay all legal fees and expenses incurred by Landlord in (i) enforcing or modifying the terms of the Lease, (ii) commencing and prosecuting a suit for the recovery of the Demised Premises, damages or any amounts owed to Landlord, (iii) commencing and prosecuting a declaratory action, (iv) prosecuting the Landlord's rights in any bankruptcy proceeding involving the Tenant, (v) defending an action or counterclaim brought by Tenant, (vi) preparing for or appearing in an arbitration, mediation or other non-judicial proceeding and (vii) connection with the enforcement of any post-judgment collection remedy.

28th **Late Charges, Returned Check Charges, Etc.**. Tenant hereby acknowledges that late payment by Tenant to Landlord of Rent or other sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Accordingly:

1) If any installment of Rent or any sum due from Tenant shall not be received by Landlord or Landlord's designee within seven (7) days after the due date then Tenant shall pay to Landlord a late charge equal to ten percent (10%) of such overdue amount.

2) If any Tenant check deposited by Landlord is returned unpaid, Tenant shall pay to Landlord a returned check charge equal to two (2) times the amount charged to Landlord by Landlord's Bank.

3) If two (2) or more Tenant checks are returned to Landlord in any twelve (12) month period, Landlord shall have the right to require all charges due from Tenant for the balance of the Term to be paid by certified check, bank check or money order.

4) If and when any installment of Rent or any sum due from Tenant has not been paid within ninety (90) days after the due date, then Landlord shall have the right from the ninety-first (91st) day forward to charge interest on Tenant's entire unpaid balance at the rate of eight percent (8%) per annum until all Rent due from Tenant has been received by Landlord.

5) Any such late charge, returned check charge and/or interest charge, if not previously paid, shall, at the option of the Landlord, be added to and shall become part of the succeeding rental payment to be made hereunder and shall be deemed to constitute Additional Rent.

6) Late charges, returned check charges and interest charges shall be in addition to and not in lieu of any other remedy Landlord may have and is in addition to any reasonable fees and charges of any agents or attorneys Landlord may employ as a result of any default under this Lease.

29th **Default; Remedies upon Tenant's Default**. If there should occur any default on the part of Tenant in the performance of any conditions and covenants herein contained including, without limitation, the payment of Rent when due, or if during the Term hereof the Demised Premises or any part thereof shall be or become abandoned or deserted, vacated or vacant, or should Tenant be evicted by summary proceedings or otherwise, Landlord, in addition to any other remedies herein contained or as may be permitted by law, may either by force

or otherwise, without being liable for prosecution therefor or for damages, re-enter the Demised Premises and have and again possess and enjoy the same; and as agent for Tenant or otherwise, re-let the Demised Premises and receive the rents therefor and apply the same, first to the payment of such expenses, reasonable attorney fees and costs, as Landlord may have incurred in the re-entering and repossessing of the same and in making such repairs and alterations as may be necessary; and second to the payment of the Rent due hereunder. Tenant shall remain liable for such Rent as may be in arrears and also the Rent as may accrue subsequent to the re-entry by Landlord, to the extent of the difference between the Rent reserved hereunder and the Rent, if any, received by Landlord during the remainder of the unexpired term hereof, after deducting the aforementioned expenses, fees and costs; the same to be paid as such deficiencies arise and are ascertained each month. Landlord shall have the right to elect to terminate the Term by giving notice of such election, and the effective date thereof, to Tenant and to receive **Termination Damages**, defined as the amount which, at the time of actual payment thereof to Landlord, is the sum of :

1) all accrued but unpaid Rent;

2) the present value (calculated using the most recently available (at the time of calculation) published weekly average yield on United States Treasury securities having maturities comparable to the balance of the then remaining Term) of the sum of all payments of Rent remaining due (at the time of calculation) until the date the Term would have expired (had there been no election to terminate it earlier) less the present value (similarly calculated) of all payments of Rent to be received through the end of the Term (had there been no election to terminate it earlier) from a lessee, if any, of the Demised Premises under commercially reasonable terms existing at the time of calculation (and it shall be assumed for purposes of such calculations that (i) the amount of future Additional Rent due per year under this Agreement will be equal to the average Additional Rent per month due during the twelve (12) calendar months immediately preceding the date of any such calculation, increasing annually at a rate of eight percent (8%) compounded; and (ii) if any calculation is made before the end of the first full calendar year of occupancy under this Lease, operating expenses may be extrapolated based on the year-to-date experience of Landlord);

3) Landlord's cost of demolishing any leasehold improvements to the Demised Premises; and

4) that amount, which as of the occurrence of the default on the part of Tenant, bears the same ratio to the costs, if any, incurred by Landlord (and not paid by Tenant) in building out the Demised Premises in accordance with this Lease as the number of months remaining in the Term (immediately before the occurrence of the said default) bears to the number of months in the entire Term (immediately before the occurrence of the said default).

30th **Termination on Default**. Upon the occurrence of any of the contingencies set forth in the 29th Section of this Lease, or should Tenant be adjudicated a bankrupt, insolvent or placed in receivership, or should proceedings be instituted by or against Tenant for bankruptcy, insolvency, receivership, agreement of composition or assignment for the benefit of creditors, or if this Lease or the estate of Tenant hereunder shall pass to another by virtue of any court proceedings, writ of execution, levy, sale or by operation of law, Landlord may, if Landlord so elects, at any time thereafter, terminate this Lease and the Term hereof, upon giving to Tenant or to any trustee, receiver, assignee or other person in charge of or acting as custodian of the assets or property of Tenant, five (5) days notice. Upon the giving of such notice, this Lease and the Term hereof shall end on the date fixed in such notice as if the said date was the date originally fixed in this Lease for the expiration hereof; and Landlord shall have the right to remove all persons, goods, fixtures and chattels therefrom, by force or otherwise, without liability for damages.

31st **Tenant's Right to Cure.** Anything in this Lease to the contrary notwithstanding, in the event of a default under the terms, covenants, provisions and conditions of this Lease other than the vacating by Tenant of the Demised Premises, Tenant shall have the right to cure and correct the same but only within the following specified periods next following receipt of notice from Landlord specifying said event of default:

1) five (5) days with respect to defaults in the payment of Rent; and

2) sixty (60) days with respect to an adjudication of bankruptcy of Tenant or any assignment by Tenant for the benefit of its creditors; and

3) ten (10) days with respect to all other acts of default; and if the correction of the said event of default requires the performance by Tenant of any work which cannot reasonably be performed within such time period, the said period shall be extended until said work is completed provided that Tenant commences the performance of said work and thereafter promptly and diligently pursues said work to completion. In any such event, Tenant shall furnish Landlord with written evidence of its acts and efforts in the performance and completion of any said work and Tenant shall indemnify and hold harmless the Landlord and each mortgagee of the Property from and against any and all liabilities, damages, claims, losses, judgments, causes of action, costs and expenses (including the reasonable fees and expenses of counsel) which may be incurred by the Landlord or any such mortgagee relating to or arising out of the Tenant's failure to complete the work within the time required hereunder.

32nd **Non-Waiver by Landlord**. The various rights, remedies, options and elections of Landlord expressed herein are cumulative, and the failure of Landlord to enforce strict performance by Tenant of the conditions and covenants of this Lease or to exercise any remedy herein conferred or the acceptance by Landlord of any installment of Rent after any breach by Tenant, in one or more instances, shall not be construed or deemed to be

a waiver or a relinquishment for the future by Landlord of any such conditions, covenants, options, elections or remedies, but the same shall continue in full force and effect.

33rd **Waiver of Redemption**. Upon the expiration or sooner termination of this Lease or in the event of entry of judgment for the recovery of possession of the Demised Premises in any action or proceeding, or if Landlord shall enter the Demised Premises by process of law or otherwise, Tenant, for itself and all persons claiming through or under Tenant, including, but not limited to, its creditors, hereby waives and surrenders any right or privileges of redemption provided or permitted by any statute, law or decision now or hereafter in force, to the extent legally authorized, and does hereby waive and surrender all rights or privileges which it may or might have under and by reason of any present or future law or decision, to redeem the Demised Premises or for a continuation of this Lease after having been dispossessed or ejected therefrom by process of law, or otherwise. Such expiration or termination shall not release or discharge any obligation of Tenant to pay Rent or any other liability incurred by reason of any covenant herein contained on the part of Tenant to be performed.

34th **Renewal Option**.

1) Tenant has the option to renew for one (1) successive one (1) year term(s) upon six (6) months written notice to Landlord prior to the expiration of the term of this Lease, time being of the essence; provided, however, that Tenant is not in default under any of the terms and conditions of this Lease and no event has occurred which with the giving of notice, passage of time, or both, would constitute an event of default on the date (i) this option is exercised and (ii) the renewal term commences. Base Rent for the renewal term shall be increased by the greater of five percent (5%) or the increases (if any) in the Consumer Price Index as published by the U.S. Department of Labor ("**CPI**"). Base Rent for the renewal term shall be determined (and shall be effective for the entire then operative lease years in the renewal term) by multiplying the annualized Base Rent in the last month of the prior term by the greater of a) five percent (5%) or b) a fraction, the denominator of which fraction shall be the CPI figure for the month which is two (2) months prior to the month in which the Commencement Date occurred (the "**CPI Month**") and the numerator of which fraction shall be the figure published for the corresponding month in the preceding lease year. The CPI used shall be the All Urban Consumers (CPI-U), U.S. City Average.

2) Should the CPI cease to be published, then the closest similar published index by an agency of the U.S. Government shall be substituted. Should there be no such substitute, the parties hereto shall, under the rules of the American Arbitration Association, agree to a substitute formula or source, designed to accomplish the same original purpose of this provision.

35th **Limitations**. Any claim, demand, right or defense by Tenant that arises out of this Lease, or the negotiations that preceded this Lease, shall be barred unless Tenant commences an action thereon, or interposes a defense by reason thereof, within six (6) months after the date of the inaction, omission, event or action that gave rise to such claim, demand, right or defense. Tenant acknowledges and understands, after having consulted with its legal counsel, that the purpose of this Section is to shorten the period within which Tenant would otherwise have to raise such claims, demands, rights or defenses under applicable Laws.

36th **Not Used**.

37th **Not Used**.

38th **Casualty Insurance**. Landlord shall carry insurance for fire, extended coverage, vandalism, malicious mischief and other endorsements deemed advisable by Landlord, insuring all improvements on the Property, including the Demised Premises and all leasehold improvements thereon and appurtenances thereto (excluding Tenant's merchandise, trade fixtures, furnishings, equipment and personal property) for the full insurable value thereof, with such deductibles as Landlord deems advisable. The cost of such insurance shall be included in Operating Expenses.

39th **Right to Exhibit**. Tenant agrees from time to time to permit Landlord and Landlord's agents, employees or other representatives to enter and show the Demised Premises to persons wishing to rent or purchase the same, and Tenant agrees that on and after six (6) months next preceding the expiration of the Term, Landlord or Landlord's agents, employees or other representatives shall have the right to place notices on the front of the Property or the Demised Premises or any part thereof, offering the same for rent or for sale; and Tenant hereby agrees to permit the same to remain thereon without hindrance or molestation.

40th **Mortgage Priority**. This Lease shall not be a lien against the Property in respect to any mortgages that may hereafter be placed upon said Property. This Lease is subject and subordinate to all ground or underlying leases and to all mortgages that may now or hereafter affect the Property, including all renewals, modifications, consolidations, replacements and extensions of any such underlying leases and mortgages. The recording of any such mortgage or mortgages shall have preference and precedence and be superior and prior in lien to this Lease, irrespective of the date of recording. This clause shall be self-operative and no further instrument of subordination shall be required by any ground lessor or by any mortgagee in order to effectuate such subordination.

41st **Certification**. Tenant shall, without charge, and at any time during the Term execute and promptly deliver to Landlord or its agent, within ten (10) days after written request from Landlord or its agent, as the case may be, its certification as to: (i) whether this Lease has been modified or amended, and if so, the date, substance and manner of such modification or amendment; (ii) as to the validity and force and effect of this Lease; (iii) as to the existence of any default hereunder, and if so, the nature, scope and extent thereof; (iv) as to the existence of any offsets, counterclaims or defenses on the part of Tenant, and if so, the nature, scope and extent thereof; (v)

as to the commencement and termination dates of the Term; (vi) as to the dates to which Rent has been paid; (vii) such financial and other credit information as Landlord may reasonably request in connection with any prospective financing or sale of the Demised Premises or the Property; and (viii) as to any other matters as may reasonably be so requested. Any such certificate may be relied upon by Landlord and any other person, firm or corporation to whom the same may be exhibited or delivered, and Tenant shall be bound by the contents of such certificate. A refusal by Tenant to execute and deliver such certificate in accordance with the provisions of this Section shall entitle Landlord to the option of canceling this Lease on five (5) days notice.

42nd **Attornment**. Neither the foreclosure of any mortgage affecting the Demised Premises, nor the institution of any suit, action, summary, or other proceeding by Landlord or any mortgagee, nor the sale, conveyance or transfer of the Demised Premises by Landlord, shall result, by operation of law or otherwise, in the cancellation or termination of this Lease or the obligations of Tenant hereunder, and Tenant covenants and agrees to attorn to Landlord, the holder of any mortgage, or the purchaser, grantee, or transferee of the Demised Premises.

43rd **Condemnation and Eminent Domain**. If the land and Property of which the Demised Premises are a part, or any portion thereof, shall be taken under eminent domain or condemnation proceedings, or if suit or other action shall be instituted for the taking or condemnation thereof, or in lieu of any formal condemnation proceedings or actions, Landlord shall grant an option to purchase and or shall sell and convey the Property or any portion thereof, to the governmental or other public authority, agency body or public utility seeking to take the Property or any portion thereof, then this Lease, at the option of Landlord, shall terminate, and the Term hereof shall end as of such date as Landlord shall fix by notice in writing as if such date were the date designated as the last day of the Term set forth above; and Tenant shall have no claim or right to claim or be entitled to any portion of any amount which may be awarded as damages or paid as the result of such condemnation proceedings or paid as the purchase price for such option, sale or conveyance in lieu of formal condemnation proceedings; and all rights of Tenant to damages, if any, are hereby assigned to Landlord. Tenant agrees to execute and deliver any instruments promptly upon demand, at the expense of Landlord, as may be deemed necessary or required to expedite any condemnation proceedings or to effectuate a proper transfer of title to such governmental or other public authority, agency, body or public utility seeking to take or acquire the Property or any portion thereof. Tenant covenants and agrees at its sole cost and expense to vacate the Demised Premises, remove all Tenant's personal prop-erty therefrom and deliver up peaceable possession thereof to Landlord or to such other party designated by Landlord in the aforementioned notice. Failure by Tenant to comply with any provisions in this clause shall subject Tenant to such costs, expenses, damages and losses as Landlord may incur by reason of Tenant's breach hereof including, without limitation, attorneys' fees.

44th **Fire and other Casualty**. In case of fire or other casualty affecting the Demised Premises, Tenant shall give immediate notice to Landlord or, in case of fire or other casualty affecting the Property other than the Demised Premises, Tenant shall give immediate notice to Landlord upon Tenant obtaining knowledge of such fire or casualty. If the Demised Premises shall be partially damaged by fire, the elements or other casualty, Landlord shall repair the same as speedily as practicable, but Tenant's obligation to pay the Rent hereunder shall not cease. If, in the opinion of Landlord, the Demised Premises is so exten-sively and substantially damaged as to render them untenantable, then the Rent shall cease until such time as the Demised Premises shall be made tenantable by Landlord. However, if, in the opinion of Landlord, the Demised Premises is totally destroyed or so extensively and substantially damaged as to require practically a rebuilding thereof, then the Rent shall be paid up to the time of such destruction and then and from thenceforth this Lease shall automatically and without notice come to an end. In no event however, shall the provisions of this clause become effective or be applicable, if the fire or other casualty and damage shall be the result of the carelessness, negligence or improper conduct of Tenant or Tenant's agents, employees, guests, licensees, invitees, subtenants, assignees or successors. In such case, Tenant's liability for the payment of the Rent and the performance of all the cov-enants, conditions and terms hereof on Tenant's part to be performed shall continue and Tenant shall be liable to Landlord for the damage and loss suffered by Landlord. If Tenant shall have been insured against any of the risks herein covered, then the proceeds of such insurance shall be paid over to Landlord to the extent of Landlord's costs and expenses to make the repairs hereunder, and such insurance carriers shall have no recourse against Landlord for reimbursement.

45th **Liability Insurance**. Tenant, at Tenant's sole cost and expense, shall obtain or provide and keep in full force and effect for the benefit of Landlord, during the Term, commercial general liability insurance, insuring Landlord against any and all liability or claims of liability arising out of, occasioned by or resulting from any accident or otherwise in or about the Demised Premises, for injuries to any person or persons, for limits of not less than One Million and 00/100 Dollars ($1,000,000.00) for injuries to one person and Two Million and 00/100 Dollars ($2,000,000.00) for injuries to more than one person, in any one accident or occurrence, for not less than One Million and 00/100 Dollars ($1,000,000.00) for loss or damage to the property of any person or persons. The policy or policies of insurance shall be of a company or companies authorized to do business in the State in which the Property is located and shall be delivered to Landlord, together with evidence of the payments of the premiums therefor, not less than fifteen (15) days prior to the commencement of the Term hereof or of the date when Tenant shall enter into possession, whichever occurs sooner. At least fifteen (15) days prior to the expiration or termination date of any policy, Tenant shall deliver a renewal or replacement policy with proof of the payment of the premium therefor. Landlord shall obtain and maintain during the Term, commercial general liability insurance against claims for bodily injury, personal injury, death or property damage occurring on, in or about the Property or as a result of ownership of the facilities located in the Property for limits of not less than One Million and 00/100 Dollars ($1,000,000.00) for injuries to one person and Two Million and 00/100 ($2,000,000.00) for injuries to more than one person in any one accident or occurrence, for not less than One Million and 00/100 Dollars ($1,000,000.00) for loss or damage to the property of any person or persons. Such policy shall include a contractual liability endorsement and shall cover Landlord's indemnity obligation described in Section 47. The cost of such insurance shall be included in Operating Expenses. The

amount of insurance to be carried by Landlord shall be an amount Landlord deems reasonably necessary or appropriate in connection with the use and operation of the Property and customarily carried with respect to similar properties in Middlesex County, New Jersey or as any mortgagee of Landlord may require.

46th **Tenant's Indemnity.** Tenant, at its sole cost and expense agrees to and shall indemnify, defend and hold and keep harmless Landlord and its agents, representatives, employees, constituent members, successors and assigns, from and against any and all claims, actions, demands and suits, for, in connection with or resulting from any accident, injury or damage whatsoever (including, without limitation, reasonable attorneys' fees and actual out-of-pocket costs of enforcement of this provision) caused to any person or property arising, directly or indirectly, in whole or in part, out of the business conducted in or the use of the Demised Premises, or occurring in, on or about the Demised Premises, or arising, directly or indirectly, in whole or in part, from any act or omission of Tenant or any concessionaire or subtenant or their respective licensees, servants, agents, employees or contractors, or arising out of the breach or default by Tenant of any term, provision, covenant or condition contained in the Lease, and from and against any and all losses, costs, expenses, judgments and liabilities incurred in connection with any claim, action, demand, suit or other proceeding brought thereon. This indemnity shall include defending or resisting any proceeding, by attorneys reasonably satisfactory to Landlord. This indemnity shall be insured as a contractual obligation under the policy of liability insurance Tenant is required to carry hereunder.

47th **Landlord's Indemnity**. Landlord, at its sole cost and expense agrees to and shall indemnify, defend and hold and keep harmless Tenant and its agents, representatives, employees, constituent members, successors and assigns, from and against any and all claims, actions, demands and suits, for, in connection with or resulting from any accident, injury or damage whatsoever (including, without limitation, reasonable attorneys' fees and actual out-of-pocket costs of enforcement of this provision) caused to any person or property arising from any negligence or willful misconduct of Landlord or its respective licensees, servants, agents, employees or contractors, except to the extent due to the negligence or willful misconduct of Tenant.

48th **Tenant's Contents Insurance**. Tenant shall hold Landlord harmless and fully indemnify Landlord against any claims for damages to Tenant's contents, except in the case of subrogation by an insurance company. In addition to all other insurance required hereunder, Tenant shall fully insure its contents located in, on or about the Demised Premises, at full replacement value. Tenant shall furnish Landlord with a certificate of such insurance from time to time to evidence the continued existence of said policy. Said certificate shall clearly state that such insurance may not be cancelled except upon ten (10) days written notice to Landlord. Should Tenant at any time fail to maintain said contents coverage, said failure shall not be a default hereunder but shall constitute a defacto waiver of all rights of recovery against Landlord for any loss or damage of any nature whatsoever to Tenant's property regardless of the cause of said damage.

49th **Exculpation**. Notwithstanding anything to the contrary set forth in this Lease, it is specifically understood and agreed by Tenant that there shall be absolutely no personal liability on the part of Landlord or any individuals associated with Landlord, including, but not limited to, any partners, members or shareholders of Landlord nor joint venturers with Landlord nor any of their successors, assignees, heirs, executors, administrators or personal and legal representatives with respect to any of the terms, covenants and conditions of this Lease, and Tenant shall look solely to the equity, if any, of Landlord in the Property for the satisfaction of each and every remedy (including, without limitation, equitable remedies) of Tenant in the event of any breach by Landlord of any of the terms, covenants and conditions of this Lease to be performed by Landlord; such exculpation of personal liability to be absolute and without any exception whatsoever.

50th **Non Liability of Landlord.** Neither Landlord nor any of its agents, co-venturers, representatives, employees, constituent members, successors or assigns shall be liable for any damage or injury which may be sustained by Tenant or by any other person, nor shall Tenant have any right to claim an eviction or constructive eviction as a consequence of: (i) any defect, latent or apparent in the Demised Premises; or (ii) any change of conditions in the Demised Premises; or (iii) the failure, breakage, leakage or obstruction of the street or sub-surface; or (iv) the failure, breakage, leakage or obstruction of the water, plumbing, steam, sewer, waste or soil pipes; or (v) the failure, breakage, leakage or obstruction of the roof, walls, drains, leaders, gutters, valleys, downspouts or the like; or (vi) the failure, breakage, leakage or obstruction of the electrical, gas, power, conveyor, refrigeration, sprinkler, air conditioning or heating systems; or (vii) the failure, breakage, leakage or obstruction of elevators or hoisting equipment; or (viii) any structural failure; or (ix) the elements; or (x) any theft or pilferage; or (xi) any fire, explosion or other casualty; or (xii) the carelessness, negligence or improper conduct on the part of any other tenant or of Landlord, or Landlord's or this or any other tenant's respective agents, employees, guests, licensees, invitees, subtenants, assignees or successors; or (xiii) any interference with, interruption of or failure, beyond the control of Landlord, of any services to be furnished or supplied by Landlord. All property kept, maintained or stored in, on or at the Demised Premises shall be so kept, maintained or stored at the sole risk of Tenant.

51st **Increase of Insurance Rates**. If for any reason it shall be impossible to obtain fire and other hazard insurance on the buildings and improvements on the Property, in an amount and in the form and in insurance companies acceptable to Landlord, Landlord may, if Landlord so elects at any time thereafter, terminate this Lease and the Term hereof, upon giving to Tenant fifteen (15) days' notice, and upon the giving of such notice, this Lease and the Term thereof shall terminate and end as of the date set forth in said notice as if such date were the date designated as the last day of the Term set forth above. If by reason of the use to which the Demised Premises are put by Tenant or character of or the manner in which Tenant's business is carried on, the insurance rates for fire and other hazards shall be increased, Tenant shall upon demand, pay to Landlord, as Additional Rent, the amount by which the premiums for such insurance are increased. Such payment shall be paid with the next installment of Rent but in no case later than one (1) month after such demand, whichever occurs sooner.

52nd **Waiver of Subrogation Rights**. Tenant and Landlord waive all rights of recovery against each other and each other's agents, employees or other representatives, for any loss, damages or injury of any nature whatsoever to property or persons for which Tenant or Landlord is insured. Tenant shall obtain from Tenant's insurance carriers, and shall promptly deliver to Landlord, waivers of subrogation rights under its respective policies required hereunder.

53rd **Broker**. Landlord agrees to pay, pursuant to a separate agreement, all brokerage commissions payable in connection with the negotiations for, and execution of, this Lease. Tenant and Landlord warrant that they have not dealt with any real estate broker except Cushman and Wakefield of New Jersey, Inc. In the event of any misrepresentation by either Landlord or Tenant, the misrepresenting party agrees to hold the other harmless from any costs or claims, including,without limitation, reasonable attorneys' fees.

54th **Notices**. Any and all notices, requests or other such communications required under the terms of this Lease shall be given either (i) by certified or registered mail, return receipt requested, postage prepaid, or (ii) a national overnight delivery service with receipt provided therefor, prepaid, to the address of the parties as shown at the head of this Lease or to such other address as may be designated in writing, which notice of change of address shall be given in the same manner. Notice shall be deemed effective if by mail, on the third (3rd) business day after mailing thereof, and if by overnight delivery, on the next business day after deposit or pick-up by such overnight delivery service.

55th **Force Majeure**. Except for Tenant's obligation to pay rent, the period of time during which Landlord or Tenant is prevented or delayed in performing any improvements or repairs or fulfilling any obligation required by Landlord or Tenant under this Lease due to delays caused by reason of fire, catastrophe, strikes or labor trouble, civil commotion, acts of God or the public enemy, governmental prohibitions or regulations, or inability or difficulty in obtaining materials, or other causes beyond Landlord's or Tenant's control, as the case may be, shall be added to Landlord's or Tenant's time for performance thereof, and Landlord or Tenant shall have no liability by reason thereof.

56th **Rules and Regulations.** Rules and regulations regarding use of the Demised Premises and the Property, including the walkways and parking areas, and the use thereof, which may hereafter be promulgated by Landlord from time to time, shall be observed by Tenant and Tenant's employees, agents and business invitees. Landlord reserves the right to rescind any rules promulgated hereafter, and to make such other and further rules and regulations as, in its reasonable judgment, may from time to time be desirable for the safety and cleanliness of the Demised Premises and the Property and for the preservation of good order therein, which rules, when so made, and notice given to Tenant, shall have the same force and effect as if originally made a part of this Lease.

57th **Validity of Leases**. The terms, conditions, covenants and provisions of this Lease shall be deemed to be severable. If any clause or provision herein contained shall be adjudged to be invalid or unenforceable by a court of competent jurisdiction or by operation of any applicable law, it shall not affect the validity of any other clause or provision herein, but such other clauses or provisions shall remain in full force and effect.

58th **Title and Quiet Enjoyment**. Landlord covenants and represents that Landlord is the sole owner of the Property herein leased and has the right and authority to enter into, execute and deliver this Lease; and does further covenant that Tenant on paying the Rent and performing the conditions and covenants herein contained, shall and may peaceably and quietly have, hold and enjoy the Demised Premises for the Term.

59th **Entire Lease**. This Lease contains the entire contract between the parties hereto. No representative, agent or employee of Landlord has been authorized to make any representations or promises with reference to the within letting or to vary, alter or modify the terms hereof. No additions, changes or modifications, renewals or extensions hereof shall be binding unless made in writing and signed by Landlord and Tenant.

60th **Lease Submission**. If this Lease is offered to Tenant by an employee or agent of the Landlord, such offer is made subject to Landlord's acceptance and approval; and Tenant has executed this Lease upon the understanding that this Lease shall not in any way bind Landlord until such time as the same has been approved and executed by Landlord and a counterpart delivered to or received by Tenant.

61st **Conformation with Laws and Regulations**. Landlord may pursue the relief or remedy sought in any invalid clause in this Lease, by conforming the said clause with the pro-visions of the statutes or the regulations of any governmental agency in such case made and provided, as if the particular provisions of the applicable statutes or regulations were set forth herein at length.

62nd **Recordation**. Tenant covenants and agrees not to place this Lease on record without the consent of Landlord, which consent may be withheld for any reason.

63rd **Waiver of Trial by Jury**. THE PARTIES HEREBY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER OF THE PARTIES HERETO AGAINST THE OTHER ON ANY MATTERS WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED TO THIS LEASE, THE RELATIONSHIP OF LANDLORD AND TENANT, TENANT'S USE OR OCCUPANCY OF THE DEMISED PREMISES, AND/OR CLAIM OF INJURY OR DAMAGE.

64th **Jurisdiction**. This Lease shall be construed and interpreted in accordance with the substantive and procedural laws of the State of New Jersey.

65th **Headings**. The descriptive headings of the Sections of this Lease are inserted for convenience only and shall not control or affect the meaning or construction of any of its provisions.

66th **Gender, etc**. In all references herein to any parties, persons, entities or corporations the use of any particular gender or the plural or singular number is intended to include the appropriate gender or number as the text of the within instrument may require.

67th **Succession**. All the terms, covenants and conditions herein contained shall be for and shall inure to the benefit of and shall bind the respective parties hereto, and their heirs, executors, administrators, personal or legal representatives, successors and assigns.

68th **Consents.** With respect to any provision of this Lease which requires that Landlord shall not unreasonably withhold or unreasonably delay any consent or approval, Tenant hereby waives any claim for money damages. Tenant shall not claim any money damages by way of setoff, counterclaim or defense based upon any claim or assertion by Tenant that Landlord has unreasonably withheld or unreasonably delayed any consent or approval. Tenant's sole and exclusive remedy shall be an action or proceeding for specific performance or injunction.

69th **Holding Over**. Any holding over or continued occupancy by Tenant after the Expiration Date (other than as may have been provided for in this Lease or in amendments executed in accordance with the 34th Section of this Lease) shall not operate to extend or renew this Lease or to imply or create a new lease. In such event, Landlord shall have the right to immediately terminate Tenant's occupancy or to treat Tenant's occupancy as a month-to-month tenancy, in which event Tenant shall continue to perform all Lease obligations, including the payment of Base Rent at a rate equal to two hundred percent (200%) of the Base Rent as shall be in effect immediately prior to the termination of the Term hereof. In no event however, shall Tenant be relieved of any liability to Landlord for damages resulting from such holding over. If the Demised Premises is not surrendered as required, Tenant shall indemnify, defend and hold harmless Landlord from and against any and all damages, losses and liabilities resulting therefrom, including, without limitation, any claims made by any succeeding tenant arising out of such delay. Tenant's obligation under this Section shall survive the expiration or sooner termination of this Lease.

70th **Landlord's Representations**. Landlord hereby warrants and represents to Tenant that:

1) Landlord has full power and authority to enter into this Lease and the person executing this Lease on behalf of Landlord is authorized to do so.

2) Landlord has received no notice of any material violations affecting the Demised Premises or the Property.

3) Landlord has received no notice of any spills, releases, leaks or discharges of Hazardous Substances, as defined in **Exhibit C** attached hereto and made a part hereof, at or from the Demised Premises.

4) The certificate of occupancy issued for the Property permits Tenant to use the Demised Premises for the purposes permitted under this Lease.

5) As of the Commencement Date, the Demised Premises are free from all occupancies or tenancies whatsoever.

6) No other tenant or occupant of the Property has been granted a right which would prohibit or limit the Use permitted to Tenant under this Lease.

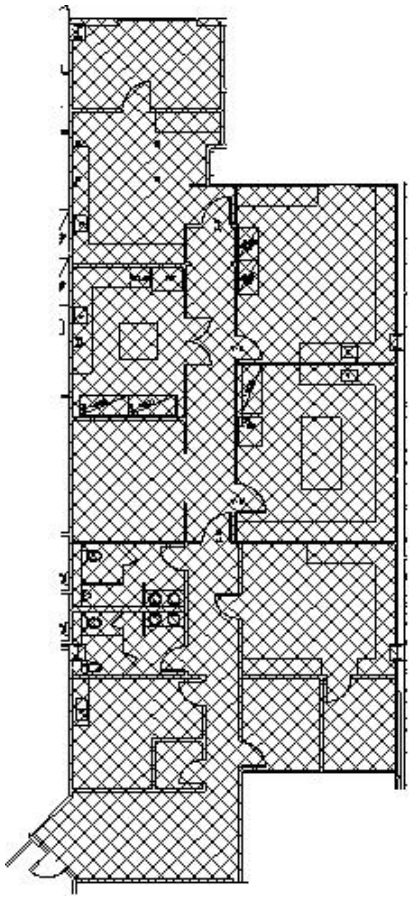
7) All utilities installed in the Demised Premises are in good working order as of the date hereof.

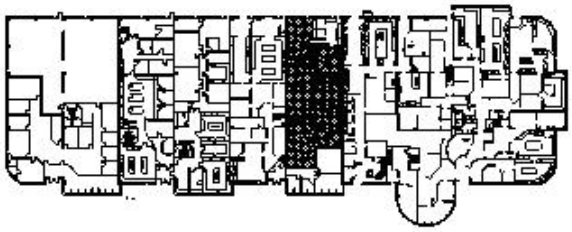
IN WITNESS WHEREOF, the parties hereto have hereunto set their hands and seals, or caused these pres-ents to be signed by their proper corporate officers or other duly authorized representatives and their proper corporate seal (if applicable) to be hereto affixed, as of the day and year first above written.

WITNESS:	**LANDLORD**
	Princeton Corporate Plaza, LLC
	By: Princeton Corporate Management Corp., Managing Member
	By: _____
	Name: Harold Kent
	Title: President
_____	
Date	
WITNESS:	**TENANT**
	Xenomics, Inc.
	By: _____
	Name: Samuil R. Umansky
	Title: President
_____	
Date	

EXHIBIT A

Demised Premises





~~EXHIBIT A-1~~

~~Workletter Drawing - Floor Plan~~

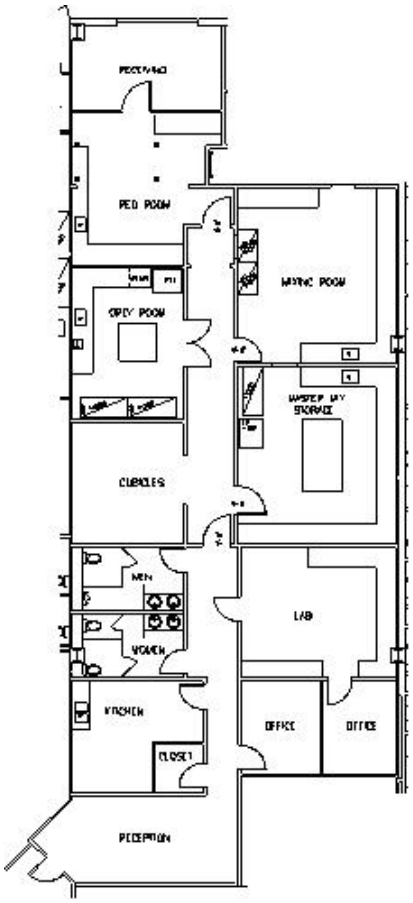


EXHIBIT B

Description of Landlord's Work

All Special requirements of Tenant that are not included in this Exhibit shall be at the sole cost and expense of Tenant.

1. FLOORING:		
	Office Area:	Existing
	Laboratory:	Existing
2. PARTITIONS:		
	Office Area:	As shown on Exhibit A-1 Floor Plan
	Laboratory:	As shown on Exhibit A-1 Floor Plan
3. ELECTRICAL:		
	Office Area:	Existing
	Laboratory:	Existing
	All outlets are 110v unless otherwise specified on Exhibit A-2. Special Electric by Tenant.	
4. LIGHTING:		
	Office Area:	Existing
	Laboratory:	Existing
5. CEILINGS:		
	Office Area:	Existing
	Laboratory:	Existing
6. WALL FINISH:		
	Office Area:	Painted, white
	Laboratory:	Painted, white.
7. INTERIOR DOORS:		
	Office Area:	As shown on Exhibit A-1 Floor Plan
	Laboratory:	As shown on Exhibit A-1 Floor Plan
8. PLUMBING:		Existing
9. HEATING & AIR CONDITIONING:		Cooling 78 degrees at 95 degrees. Heating 68 degrees at 0 degrees.
10. FIRE EXTINGUISHERS:		As per Township code.
11. SPRINKLERS:		As per Township code.

12. LABORATORY EQUIPMENT & FURNISHINGS: As shown on Exhibit A-1 Floor Plan

EXHIBIT C

ENVIRONMENTAL MATTERS

I. SIC

Tenant warrants and represents to the Landlord that the Standard Industrial Classification ("**SIC**") major group number, as defined in the most recent issue of the SIC Manual issued by the Federal Office of Management and Budget, for Tenant's operations at the Demised Premises is _____. Prior to any proposed changes of such SIC Number, Tenant will notify Landlord.

II. ISRA

1. Tenant shall not operate any business at the Demised Premises which shall have an SIC which is subject to the Industrial Site Recovery Act, N.J.S.A. 13:1K-6 et seq. and the regulations promulgated thereunder (hereinafter referred to as "**ISRA**"), nor shall Tenant change its use to any other use subject to ISRA without Landlord's prior written consent, which may be withheld in Landlord's sole discretion.

2. Notwithstanding any provision of ISRA to the contrary, if Tenant is operating an "**Industrial Establishment**", as that term is defined in ISRA, Tenant shall, at Tenant's own expense, comply with ISRA and the regulations promulgated thereunder. In such event Tenant shall, at Tenant's own expense make all submissions to, provide all information to, and comply with all requirements of the State of New Jersey, Department of Environmental Protection (hereinafter referred to as the **"NJDEP").** At no expense to Landlord, Tenant shall promptly provide all documents, studies, surveys, correspondence and other information requested by Landlord relating to or in furtherance of ISRA compliance.

3. Tenant's obligations under this Exhibit C shall arise if there is any closing, termination or transferring of operations of an industrial establishment subject to ISRA. At no expense to Landlord, Tenant shall promptly provide all information requested by Landlord for preparation of non-applicability affidavits and shall promptly furnish such affidavits when requested by Landlord.

4. Tenant shall indemnify, defend and save harmless Landlord from all fines, fees (including reasonable attorney's fees), suits procedures, claims, and actions of any kind arising out of Tenant's failure to provide all information, make all submissions, and take all actions required under ISRA or by the NJDEP.

5. Tenant's obligations and liabilities under this Section of Exhibit C shall continue so long as Landlord remains responsible for compliance with ISRA. Tenant's failure to abide by the terms of this Section shall be restrained by injunction and such other relief as afforded by law.

III. HAZARDOUS SUBSTANCES

1. As used herein, **Hazardous Substances** shall be defined as

a. any "hazardous chemical", "hazardous substances", "hazardous waste", "toxic substances, pollutants or contaminants" or similar term as defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("**CERCLA**"), 42 U.S.C.A. 9601 et seq., ISRA, the New Jersey Spill Compensation and Control Act (the "**Spill Act**"), as amended, N.J.S.A. 58:10-23. 1lb et seq. (Regulations N.J.A.C. 7:1E-1.1 et seq.), the Solid Waste Management Act, N.J.S.A. 13:1E-1 et seq. (Regulations N.J.A.C. 7:26-1 et seq.), the Resource Conservation and Recovery Act ("**RCRA**"), 42 U.S.C.A. 6901 et seq., any rules or regulations promulgated thereunder or in any other Environmental Law, as defined in this Lease; or

b. any substances which are or could be detrimental to the Demised Premises, the Property, the environment, human health or safety; or

c. any substance the presence of which could cause liability at common law; or

d. any substance that may not be deemed to be a hazardous substance in its virgin state prior to use by the Tenant but may thereafter be deemed to be a hazardous substance.

2. As used herein, **Release of Hazardous Substances by Tenant** shall be defined as the spill, release, discharge or leak of any Hazardous Substances

a. onto the Demised Premises from the date Tenant first took possession of the Demised Premises until the date Tenant has completely vacated the Demised Premises; or

b. onto the Property at any time resulting from Tenant's intentional or unintentional act or omission.

3. Tenant agrees not to generate, store, manufacture, refine, transport, treat, dispose of or otherwise permit to be present on or about the Demised Premises and/or the Property any Hazardous Substances

without the prior express written consent of the Landlord, and the parties acknowledge that no such consent has been given as of the date hereof except that the Landlord hereby expressly consents to Tenant's use and/or storage of any and all of the Hazardous Substances set forth in the Tenancy Review, provided, however, that the quantities thereof shall be limited to the amounts set forth in the Tenancy Review. In the event that the Landlord has given its consent and to the extent that Tenant may be permitted under applicable law to use the Demised Premises for the generating, manufacturing, refining, transporting, treating, storing, handling, disposing, transferring or processing of Hazardous Substances, Tenant shall insure that said use shall be conducted at all times strictly in accordance with Environmental Laws.

4. Tenant will not cause or permit any Release of Hazardous Substances by Tenant. In the event of any Release of Hazardous Substances by Tenant, Tenant shall promptly make the proper notifications and conduct the necessary sampling and cleanup and remediate such release in accordance with Environmental Laws, to the satisfaction of the Landlord.

5. Should the NJDEP or any other agency with jurisdiction under any Environmental Laws determine that any investigation or remediation be undertaken because of any Release of Hazardous Substances by Tenant, then Tenant shall, at Tenant's own expense, conduct the investigation and remediation including, but not limited to, the preparation and submission of any documents and financial assurances that may be required by such agency. Tenant shall not be liable for the cost of that portion of the remediation which is solely related to Hazardous Substances existing on the Demised Premises prior to the date Tenant first took possession of the Demised Premises.

6. Tenant's obligations and liabilities under this Section of Exhibit C shall continue so long as Landlord remains responsible for any Release of Hazardous Substances by Tenant at the Demised Premises. Tenant's failure to abide by the terms of this Section shall be restrained by injunction and such other relief as afforded by law.

IV. AIR, WATER AND GROUND POLLUTION

1. Tenant shall not install any underground or aboveground storage tanks at or on the Demised Premises or the Property without Landlord's written consent, which may be withheld in Landlord's sole discretion.

2. Tenant expressly covenants and agrees to indemnify, defend and save the Landlord harmless against any claims, damages, liability, costs, penalties, or fines including, without limitation, reasonable attorneys' fees, which the Landlord may suffer as a result of air, water, ground or toxic waste pollution (hereinafter referred to as "**Pollution**") caused by the Tenant in its use of the Demised Premises. The Tenant covenants and agrees to notify the Landlord immediately of any claim or notice served upon it with respect to any such claim that the Tenant is causing Pollution; and the Tenant, in any event, shall take immediate steps to halt, remedy or cure any Pollution caused by the Tenant in its use of the Demised Premises. The foregoing covenant of indemnification shall survive the termination of this Lease in connection with any obligation of the Tenant hereunder.

V. INSPECTION AND DOCUMENTATION

1. At any time upon request of Landlord, Tenant must give Landlord and its representatives access to the Demised Premises during normal business hours to permit them to inspect the Demised Premises, inspect any documents pertaining to Tenant's compliance with Environmental Laws, or perform any work in order to determine that the Demised Premises and its use by Tenant is in compliance with Environmental Laws, all at Tenant's expense, payable as Additional Rent.

2. Tenant shall promptly provide to Landlord a copy of any summons, citation, directive, order, claim, notice of litigation, investigation, proceeding, judgment, letter or other communication, written or oral, actual or threatened, from the NJDEP, the U.S. Environmental Protection Agency or other federal, state or local agency or authority or any other entity or any individual, concerning any act or omission by Tenant resulting in or which may result in the releasing of Hazardous Substances into the waters or onto the lands of the State of New Jersey or into waters outside of the jurisdiction of the State of New Jersey or into the "**Environment**" as defined in CERCLA. Written notice to Landlord shall also be made upon the imposition of any liens on any real property, personal property, or revenues of the Tenant, including but not limited to the Tenant's interest in a premises or any of the Tenant's property located thereupon, pursuant to the Spill Act or any Environmental Laws, governmental actions, orders or permits or any knowledge after due inquiry or investigation of any facts which could give rise to any of the above.

3. In addition to the above, the Tenant's notifications to the Landlord shall include but be not limited to all documentation and correspondence provided to the NJDEP pursuant to the Worker and Community Right-to-Know Act, N.J.S.A. 34:5A-1 et seq., and the regulations promulgated thereunder;

4. Tenant shall promptly supply the Landlord with all reports and notices made by Tenant pursuant to the Spill Act, the regulations provided thereunder, and the Hazardous Substances Discharge Reports and Notices Act, N.J.S.A 13:1K-15 et seq., and the regulations promulgated thereunder .

5. Tenant shall promptly provide Landlord with a copy of any permit obtained for the Demised Premises pursuant to any Environmental Law.

VI. CONTINUING OBLIGATIONS AND INDEMNITY

1. Notwithstanding the expiration or earlier termination of this Lease, if at any time during Tenant's occupancy of the Demised Premises, Tenant has operated an Industrial Establishment, as that term is defined in ISRA, then Tenant shall have a continuing obligation to pay to Landlord the amount established under this Lease as Rent plus the difference between such Rent and the fair market rental value of the Demised Premises, if greater than the established Rent, for the period after expiration or earlier termination of this Lease until such time as the Tenant obtains and delivers to the Landlord a Negative Declaration or No Further Action Letter as defined in ISRA, or such other proof, reasonably satisfactory to the Landlord, that the Tenant has complied with ISRA.

2. Notwithstanding the expiration or earlier termination of this Lease, if there exists a violation of Environmental Laws at the Demised Premises which did not exist prior to the date Tenant first took possession of the Demised Premises or if Tenant has failed to fulfill its obligations under this Exhibit C, Tenant shall have a continuing obligation to pay to Landlord the amount established as Rent under this Lease plus the difference between such Rent and the fair market rental value of the Demised Premises, if greater than the established Rent, for the period after expiration or earlier termination of this Lease until the applicable governmental entities confirm, in writing, that the violation of Environmental Laws has been cured and that Tenant has fulfilled its obligation under Environmental Laws and under this Exhibit C.

3. If a lien shall be filed against the Demised Premises arising in whole or in part out of (i) any Release of Hazardous Substances by Tenant, or (ii) the violation of Environmental Laws by Tenant, then Tenant shall pay the claim and remove the lien from the Demised Premises within thirty (30) days from the date Tenant is given notice of the lien or within such shorter period of time as may be required if the United States, the State of New Jersey, or any agency or subdivision of either such entity has commenced steps to cause the Demised Premises or the Property to be sold pursuant to the lien. Tenant shall not be responsible for any portion of the lien which is related to a spill, release, leak or discharge of Hazardous Substances which occurred prior to the date Tenant first took possession of the Demised Premises.

4. Tenant shall indemnify and hold harmless the Landlord and each mortgagee of the Property from and against any and all liabilities, damages, claims, losses, judgments, causes of action, costs and expenses (including the reasonable fees and expenses of counsel) which may be incurred by the Landlord or any such mortgagee relating to or arising out of the Tenant's generation, storage, manufacturing, refining, transportation, treatment, disposal, or other presence of Hazardous Substances on or about the Demised Premises and/or the Property or any Release of Hazardous Substances by Tenant or the Tenant's failure to comply with the provisions of this Exhibit C.

EXHIBIT 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use in this Registration Statement on Form SB-2 of our report dated September 19, 2005, relating to the consolidated financial statements of Xenomics, Inc., which is contained in this Registration Statement.

We also consent to the reference to our firm under the caption "Experts" in this Registration Statement.

LAZAR LEVINE & FELIX LLP

New York, New York
October 26, 2005

October 28, 2005

Securities and Exchange Commission
Division of Corporation Finance
100 F Street, NE
Washington, D.C. 20549
Attention: John Reynolds, Esq.

Re: Xenomics, Inc.
Form SB-2 filed August 1, 2005
File No. 333-127071

Dear Mr. Reynolds:

This letter sets forth the responses of Xenomics, Inc., a Florida corporation (the "Company" or "we"), to the comments received from the Staff (the "Staff") of the Securities and Exchange Commission (the "Commission") by letter dated September 2, 2005 concerning the Company's Registration Statement on Form SB-2 (File No. 333-127071) filed with the Commission on August 1, 2005 (the "Registration Statement"). We are authorized by the Company to provide the responses contained in this letter on behalf of the Company.

The numbers of the responses in this letter correspond to the numbers of the Staff's comments as set forth in its letter to the Company dated September 2, 2005. References in the text of the responses herein to captions and page numbers are to Amendment No. 1 to Form SB-2 which is being filed herewith. For your convenience, we set forth each comment from your comment letter in bold type-face and include the Company's response below it.

Prospectus Cover Page

1. **Please include only the information required by Item 501 of Regulation S-B. Thus, all of the information relating to private placements should be removed.**

   We have included only the information required by Item 501 of Regulation S-B on the Prospectus Cover Page.

2. **Please highlight the risk factor cross reference by prominent type or in another manner. See Item 501(a)(5) of Regulation S-B.**

   We have highlighted the risk factor cross reference in capital letters on the Prospectus Cover Page.

3. **We note the statement that you do not know "when, how or if the selling stockholders" intend to sell their shares. "How" they intend to sell their shares is set forth in the Plan of Distribution and should therefore be deleted from the cover page.**

We have deleted the word "how" in the statement "….when, how or if the selling stockholders intend to sell their shares…" from the Prospectus Cover Page.

4. **Please provide the dealer prospectus delivery obligation on the outside back cover page of the prospectus as set forth in Item 502(b) of Regulation S-B.**

   We have included the dealer prospectus delivery obligation set forth in Item 502(b) of Regulation S-B on the outside back cover page of the prospectus as requested.

5. **Please advise how you arrived at the 103,200 shares of common stock to be issued as "in kind dividends"**

   The 103,107 shares of common stock to be issued as "in kind dividends" was calculated as follows: The Stated Value of the Series A Preferred Stock is $2,771,000. The dividend rate on the Series A Preferred Stock is 4% per annum. The amount to be paid in cash dividends on an annual basis is $110,840. Dividing $110,840 by the conversion rate of $2.15 results in 51,553.48 shares which can be issued as dividends on a yearly basis. We believed it was best to initially register such number of shares of common stock which could be used to pay dividends over a period of two years. Multiplying 51,553.48 by 2 results in 103,107 (rounded) shares of common stock.

Prospectus Summary, page 5

6. **The background and development of the predecessor company should be fully discussed pursuant to Item 101 of Regulation S-B.**

   On Page 5 of Amendment No. 1 to Form SB-2 we have provided a full description of the background and development of Xenomics, the predecessor company.

7. **Please reconcile the disclosure under "Shares offered by the Selling Stockholders" with the cover page and fee table.**

   We have modified the disclosure under "Shares offered by the Selling Stockholders" on page 36 of Amendment No. 1 to Form SB-2 so that it is reconciled to the cover page and fee table.

8. **Please provide your website address.**

   On Page 5 of Amendment No. 1 to Form SB-2 we have provided the Company's website address, www.xenomics.com.

Risk Factors, page 6

9. **The introductory paragraph suggests that you are incorporating information from other reports. As you know, incorporation by reference is not available on Form SB-2. Please revise the introductory paragraph or delete it.**

   We have revised the introductory paragraph.

10. **Several of your risk factors are too broad and generic and should be revised to state the material risk that is specific to Xenomics, Inc. As a general rule, a risk factor is probably too generic if it is readily transferable to other offering documents or describes circumstances or factual situations that are equally applicable to other similarly situated businesses. Risk factors 9, 11, 13, 20, 22, 23, 24, 26 and 27 should be revised, deleted or moved to another section of the prospectus as appropriate.**

   On pages 6 to 13 of Amendment No. 1 to Form SB-2, we have amended several risk factors in order to make them more specific to the Company.

11. **The second paragraph of risk factor two addresses a risk distinct from the subheading. Please provide an appropriate subheading to address the risk of dilution to shareholders.**

   On page 6 of Amendment No. 1 to Form SB-2, we have modified the second paragraph of risk factor two and added an appropriate subheading.

12. **Clarify in risk factor 12 whether you have filed an application with the FDA.**

   On page 8 of Amendment No. 1 to Form SB-2, we have added disclosure to the risk factor entitled "If we do not receive regulatory approvals, we will not be able to develop and commercialize the Tr-DNA technology" stating that we have not filed an application with the FDA for any of our proposed products.

Note Regarding Forward-Looking Statements, page 13

13. **We note your statement that "[w]e undertake no obligation to update forward--looking statements." If new information or certain events arise that would make your current forward-looking statements materially misleading, you would need to update your disclosure as required by federal securities law. As such, please revise your disclosure accordingly.**

   On page 13 of Amendment No. 1 to Form SB-2, we have modified the disclosure in the Forward-Looking Statements section to state that we do not undertake any obligation to update or revise any of the forward-looking statements after the date of this prospectus to conform forward-looking statements to actual results.

14. **We also note your reference to the Private Securities Litigation Reform Act of 1995. Be advised that Section 27A(b)(1)(C) of the Securities Act and Section 21E(b)(i)(C) of the Securities Exchange Act expressly state that the safe harbor for forward-looking statements does not apply to statements made by companies that issue penny stock. Please either:**

- **delete any references to the Private Securities Litigation Reform Act; or**
- **make clear, each time you refer to the Litigation Reform Act, that the safe harbor does not apply to your company.**

On page 13 of Amendment No. 1 to Form SB-2, we have deleted all references to the Private Securities Litigation Reform Act.

Management's Discussion and Analysis of Financial Condition or Plan of Operation, page 13

History

15. **Item 101(a) of Regulation S-B requires that you describe the business development of the company for the past 3 years. Such a discussion would include the business history of the company, its subsidiary, and its predecessor(s) as well as the name and the identity of the control persons and promoters of the same and the consideration paid in all merger transactions and share purchase agreements. "Predecessor" is defined in Rule 405 of Regulation C.**

On page 13 of Amendment No. 1 to Form SB-2 we have added additional disclosure regarding the history of the company, our predecessor, the identity of control persons and promoters and the consideration paid in all merger transactions.

On page F-5 and F-6 of Amendment No.1 to Form SB-2 we have also revised our Statement of Stockholders Equity to present such information in detail since inception, August 4, 1999.

Please also see our response to comments 42, 43, 44, and 52 below.

16. **Elaborate on the material terms of the Voting Agreement, including the identity of the parties.**

On page 14 of Amendment No. 1 to Form SB-2 we have added additional disclosure regarding the Voting Agreement.

17. **We note you granted an option to the former Xenomics Sub shareholders that becomes exercisable in the event you fail to apply at least 50% of the net proceeds you raise during the period ending July 1, 2006. Please quantify what this amount will be or is expected to be. Indicate whether you have any plans, formal or otherwise, to secure such funding. Disclose the material terms of the option, including the exercise price, option price and cure provision.**

On page 14 of Amendment No. 1 to Form SB-2 we have added the requested disclosure regarding the option granted to the former Xenomics Sub shareholders.

Plan of Operations

18. **Please allocate the amounts necessary over the next 12 months to cover all budgeted expenses deemed material. Discuss the anticipated milestones in implementing your plan of operation over the next 12 months and the time frame and cost for beginning and completing each.**

- On pages 15-16 of Amendment No. 1 to Form SB-2 we have added disclosure regarding certain development milestones in our plan, their timing and estimated expenditures related to each.

Contractual Obligations and Commitments

19. **Reference is made to Note 5 of the financial statements. It appears that the shares issued in January 2005 and April 2005 carry registration rights which require that the company file a registration statement with the Commission by the 120th day after closing and that failure to do so will result in certain penalties to the company that accrue on a monthly basis. Please disclose this fact and the status of all such penalties.**

On Page 17 and page F-26 of Amendment No. 1 to Form SB-2 (Note 6 to our Consolidated Financial Statements as of July 31, 2005) we have added disclosure that the Company was required to file a registration statement by May 28, 2005 and the failure to do so resulted in financial penalties in the amount of $16,304. We have also added disclosure that such registration statement is required to be declared effective by the SEC by October 25, 2005 and the failure to do so would result in financial penalties equal to $34,989 for every 30-day period that the registration was not declared effective by the Securities and Exchange Commission.

Critical Accounting Policies

20. **We note your disclosure that the results of operations for Xenomics are included in the consolidated results of operations only since July 2, 2004, the date of the transaction, along with similar disclosure on page 14 under the caption "Business Combination". Since the transaction was treated as a recapitalization rather than a business combination, the results of operations should be those of Xenomics since inception. Please revise your disclosures accordingly.**

On page 18 and page F-8 of Amendment No. 1 to Form SB-2 we have revised our disclosure and our Financial Statements to clarify our accounting treatment as a recapitalization presenting only the Xenomics Sub results of operations since inception (August 4, 1999) for accounting purposes.

Please also see our response to comment 52 below for revised accounting treatment of founders' deferred compensation since inception.

21. **Please correct the reference to "this Annual Report on Form 10-KSB."**

On page 18 of Amendment No. 1 to Form SB-2 we have replaced the reference to "this Annual Report on Form 10-KSB" with a reference to this prospectus.

Description of Business, page 17

The Market

22. **Your website discloses that the DNA testing market is growing at 35%-45% per annum. Please disclose this fact in the prospectus and provide substantiating support. Alternatively, delete this claim from your website.**

We have deleted the claim from our website.

SpaXen Joint Venture

23. **Please disclose the role of the supervisory board and its level of authority.**

On page 21 of Amendment No. 1 to Form SB-2, we have added disclosure regarding the role of the supervisory board and its level of authority.

Intellectual Property

24. **Please elaborate on your patents, including duration. See Item 101(b)(7) of Regulation S-B.**

As requested on page 22 of Amendment No. 1 to Form SB-2, we have added additional disclosure regarding our patents and patent applications.

25. **You disclose that you have no foreign patents. Your website indicates you do.**

Our first European patent was "allowed" but there is a 9-month public comment period before it issues, therefore we consider it pending approval. In addition our two Italian national patients have been filed, but are pending approval. We have deleted the disclosure on our website regarding issued foreign patents.

Manufacturing

26. **Please include the information required by Item l01(b)(5) of Regulation S-B regarding raw materials and suppliers.**

On page 23 of Amendment No. 1 to Form SB-2 we have added disclosure stating that currently, we do not have any agreements to purchase raw materials from any suppliers.

27. **Please provide the disclosure required under Item 10l(b)(2) of Regulation S-B regarding distribution.**

On page 23 of Amendment No. 1 to Form SB-2 we have added disclosure stating that at the present time our proposed products are still in development and we have not yet entered into distribution agreements or developed methods of distribution.

Government Regulation

28. **If applicable, please provide the disclosure required by Item l01(b)(11) of Regulation S-B regarding compliance with environmental laws.**

We do not believe that disclosure in Amendment No. 1 to Form SB-2 is required by Item 101(b)(11) of Regulation S-B.

Description of Property

29. **Please file all leases as exhibits**.

We have filed both of our leases as exhibits with Amendment No. 1 to Form SB-2.

Directors and Executive Officers, page 24

30. **Please disclose the number of hours per week that Dr. Tomei will contribute to SpaXen**.

On page 25 of Amendment No. 1 to Form SB-2 we have disclosed the number of hours per week that Dr. Tomei will contribute to SpaXen.

31. **Please disclose Mr. Cerrone's affiliation with Panetta Partners and the business of Panetta. In this regard, we note that Panetta purchased 97% of the outstanding shares of Used Kar Parts prior to the share exchange with Xenomics. Also disclose Mr. Cerrone's relationship with Venus Beauty Supply and Fermavir Pharmaceuticals.**

On page 25 of Amendment No. 1 to Form SB-2 we have added additional information concerning Mr. Cerrone's relationship with Panetta Partners Ltd., Panetta's status as a principal shareholder, the nature of Panetta's business, as well as Mr. Cerrone's recent appointment as chairman of the board of FermaVir Pharmaceuticals, Inc. (formerly Venus Beauty Supply, Inc.).

32. **Please disclose Mr. White's business activity from December 2002 to September 2004.**

On page 25 of Amendment No. 1 to Form SB-2 we have added disclosure regarding Mr. White's business activity from December 2002 to September 2004.

33. **The disclosure for Dr. Melkonyan indicates that he was "associated" with Xenomics from 1999 until 2004. Please clarify "associated."**

On page 25 of Amendment No. 1 to Form SB-2 we have added disclosure to Dr. Melkonyan's bio stating that Dr. Melkonyan is a co-founder of Xenomics and from 1999 to 2004 he was a director and Vice President.

Executive Compensation, page 27

34. **Please include the information required by Item 402 of Regulation S-B for the last three completed fiscal years. See Item 402(b) of Regulation S-B.**

Prior to the acquisition of Xenomics on July 2, 2004, Xenomics never paid any compensation to its executive officers. This disclosure has been added on page 28 of Amendment No. 1 to Form SB-2.

Please also see our response to comment 52 below regarding unpaid deferred founders compensation contributed to equity.

35. **Please file all employment and consulting agreements as exhibits.**

All employment and consulting agreements have been filed as exhibits.

Market for Common Equity and Related Stockholder Matters, page 31

36. **Please provide the full disclosure required by Item 201(a)(ii) of Regulation S-B. We do not understand reference to Fiscal 2006.**

On page 32 of Amendment No. 1 To Form SB-2, we have added additional disclosure as required by Item 201(a)(ii) of Regulation S-B. Since our fiscal year end is January 31, 2006 we refer to Fiscal 2006 as the current year.

Security Ownership of Certain Beneficial Owners and Management, page 32

37. **Reference is made to footnote 2. Please identify the control person for Panetta Partners. If the control person is Mr. Cerrone, we do not understand the basis for his disclaimer of beneficial ownership.**

On pages 33 and 34 of Amendment No. 1 to Form SB-2 we have amended the lead into the table, and the footnote relating to Mr. Cerrone to indicate that the disclaimer of beneficial ownership relates only to Section 16. We did not mean to imply that Mr. Cerrone disclaims any beneficial ownership under 13(d) by virtue of his exercise of voting and/or dispositive control of the partnership holdings under Section 13(d). This disclaimer as to Section 16 relates to the shares in which Mr. Cerrone does not have a pecuniary interest. Please note that the full "beneficial" ownership, as defined under Section 13(d), has and continues to be reflected in the table, both as to Panetta and Mr. Cerrone.

- 38.**It is not clear whether the disclosure reflects the voting agreement. Please clarify.**

  On page 34 of Amendment No. 1 to Form SB-2 we have amended the disclosure to summarize the terms of the voting agreement and its impact on voting with respect to the election of directors.

Selling Stockholders, page 34

- 39.**Reference is made to the last sentence of the fifth paragraph regarding the number of shares in this offering being automatically increased by the number of shares of common stock issued as in-kind dividends. Please provide us with an analysis as to why these additional shares will not need to be added to this registration statement by amendment**.

  On page 35 of Amendment No. 1 to Form SB-2 we have modified the fifth paragraph to state that for each selling stockholder listed on the selling stockholder table, the number of shares to be registered and sold includes shares of common stock to be paid as in-kind dividends assuming we pay all of the dividends payable over the next two years in shares of common stock. In addition we have modified the Selling Stockholders table to include shares which could be issued as dividends for those stockholders entitled to dividends.

Certain Relationships and Related Transactions, page 20

40. **Please include the full disclosure regarding transactions with promoter during the past 5 years as required under Item 404(d) of Regulation S-B. See Rule 405 of Regulation C for the definition of "promoter."**

On page 37 of Amendment No. 1 to Form SB-2 we have included a full description regarding transactions with promoters during the past 5 years.

41. **Please indicate whether 'there are any existing relationships or plans to create relationships between the company and the various entities affiliated with your officers, directors, principal shareholders and promoters. In this regard, we note that several of the entities affiliated with your officers, directors, principal shareholders and promoters are engaged in similar fields. See for example, Callisto Pharmaceuticals and Fermavir Pharmaceutical.**

Other than as disclosed in the Security Ownership of Certain Beneficial Owners and Management table, there are no existing relationships or plans to create relationships between the Company and the various entities affiliated with our officers, directors, principal shareholders and promoters.

42. **We note your statement that the principal purpose of redeeming shares held by Panetta was to lower Panetta's level of share ownership relative to non-affiliates. Based on a Form 8-K filing made on March 11, 2004, it appears to us that the principal purpose of the redemption was to compensate Mr. Cerrone and/or Panetta for the 2,000,000 shares which were purchased in February 2004 for $386,400 and to allow for the July 2004 share exchange with the Xenomics Sub shareholders.**

We respectfully draw the Staff's attention to the following:

- Ø The Company reported in its Form 8-K report filed March 11, 2004 that Panetta Partners, Ltd. purchased 2,000,000 pre split shares (the now equivalent of 222,000,000 shares) for $386,400 from Jeanette Karklins.

- Ø The Company then reported in its Form 8-K report filed July 19, 2004, relating to the acquisition of Xenomics Sub, among other things not relevant to the Staff's comment, that it

  - o split its outstanding shares 111 for 1

  - o redeemed 1,971,734 pre-split shares (the equivalent of 218,862,474 post-split shares) from Panetta Partners Ltd., a principal shareholder, for $500,000 or $0.0023 per share

  - o sold 2,645,210 post split, post redemption shares for $2,512,949.50 in a Rule 506 offering

  - o issued 2,258,001 post split, post redemption shares in exchange for 100% of the outstanding capital stock of Xenomics, CA.

The following table summarizes the numerical and percentage holdings of the various holders as it occurred and hypothetically if the Company had not redeemed a portion of Panetta's shares:

	With Redemption		Assuming No Redemption	
	Shares	Percent	Shares	Percent
Panetta Partners Ltd.	3,137,526	20.13%	222,000,000	94.69%
Participants in the Private Placement	2,645,210	16.97%	2,645,210	1.13%
Holders of Xenomics, CA	2,258,001	14.48%	2,258,001	0.96%
Other holders	7,548,000	48.42%	7,548,000	3.22%
Total	15,588,737	100.00%	234,451,211	100.00%

As suggested, we have amended the disclosure to set forth the timing, gain on the transactions and the relationships of the various participants in the 2004 acquisition and financing to the redemption, as well as indicated how the above reduction of Panetta's relative percentage ownership facilitated

43. **Please disclose the $50,000 signing bonus to be paid to Mr. Cerrone and the annual 15% cash bonus.**

On page 38 of Amendment No. 1 to Form SB-2 we have disclosed the $50,000 signing bonus paid to Mr. Cerrone and the annual 15% cash bonus.

44. **Supplementally advise as to the relationship between your officers, directors, principal shareholders and promoters and Rivington Technologies.**

None of the Company's officers, directors or principal shareholders have any relationship with Rivington Technologies, except (as disclosed in the Company's Form 8-K filed March 11, 2004), Rivington loaned Panetta $295,000 of the $384,600 of funds used to purchase 2,000,000 shares of the Company's stock in February 2004, on a full recourse basis, secured by a pledge of 1,520,000 of such shares. Panetta paid the loan and accrued interest from the proceeds of the redemption in July 2004 and neither the Company nor Panetta is aware of any continuing interest of Rivington in the Company after Rivington released the shares from the pledge. The pledge documentation and secured note were filed as exhibits to the March 11, 2004 Form 8-K and, we respectfully submit that the agreements are no longer material and therefore are not required to be filed or incorporated by reference as exhibits to the Form SB-2.

- 45. **Concerning the redemption of shares of Panetta Partners Ltd., please add the following:**

· The basis of the $500,000 valuation;
· Whether paid in cash;
· The percentage of shares owned by Panetta at the time of the transaction;
· The date of purchase by Panetta and the price(s) paid;
· Dollar amount of gain to Panetta as a result of the transaction;
· The control person(s) of Panetta at the time of the transaction.

Please see our responses to Comment 42 and 44, above.

Description of Securities, page 38

- 46. **Please disclose whether the common stock has cumulative voting rights**.

On page 39 of Amendment No. 1 to Form SB-2 we have disclosed that the common stock does not have cumulative voting rights.

- 47. **Briefly discuss the "subsequent equity sales" provision of the Series A shares**.

On page 39 of Amendment No. 1 to Form SB-2 we have added disclosure regarding the "subsequent equity sales" provision of the Series A shares.

- 48. **The statement that all of the outstanding shares of common stock are "fully paid and nonassessable" is a legal conclusion that you are not qualified to make. Either attribute this statement to counsel and file counsel's consent to be named in this section, or delete it.**

On page 39 of Amendment No. 1 to Form SB-2 we have deleted the statement that the outstanding shares of common stock are fully paid and nonassessable.

Where You Can Find More Information, page 42

- 49. **Please be advised of the Commission's new address:**

100 F Street, NE
Washington, DC 20549

In doing so, please also be advised that the Chicago and New York public reference facilities are no longer operational.

On page 43 of Amendment No. 1 to Form SB-2 we have changed the address of the Commission and deleted the reference to the Chicago and New York public reference facilities.

Financial Statements

50. **Please provide a currently dated consent in any amendment and ensure the financial statements are updated as required by Item 310(g) of Regulation S-B.**

A currently dated consent has been provided as Exhibit 23.2 to Amendment No. 1 to Form SB-2 and the financial statements have been updated as required by Item 310(g) of Regulation S-B.

Audit Report, page F-2

51. **The audit report refers only to the income statement period ended January 31, 2005, but the financial statements also include information relating to the year ended January 31, 2004, and the period from inception to January 31, 2005. Please discuss with your auditor and ask them to revise the report to reference all periods presented in the financial statements.**

The audit report has been modified and now references all periods presented in the financial statements.

Statement of Operations, page F-4

52. **We note that the statement of operations includes virtually no operating expenses for the year ended January 31, 2004. Please explain how this could be the case, if Xenomics maintained operations during this period. We note your disclosures on page 24 that Dr. Tomei and Mr. Umansky co-founded Xenomics in 1998. Please tell us the approximate amount of time that was incurred by these individuals on company business during the year ended January 31, 2004. Note that all costs of doing business should be included in the registrant's financial statements, including expenses incurred on its behalf by its major shareholders. Where services are performed for the company by its major shareholders at no charge, we believe that the substance of such transactions is the payment of the company's expenses through a capital contribution by the shareholder. See Staff Accounting Bulletin Topics 1.B.1 and 5.T. Please revise the financial statements accordingly, or tell us why you believe that no revisions are required.**

Dr. Tomei and Mr. Umansky contributed 100% of their time to the Company from August 15, 2000 through July 2, 2004 the date of the Exchange Transaction. Payment of their compensation was deferred during this period and waived at the time of the Exchange Transaction. Upon further review we agree that given the guidance of SAB 107, Topic 5, section T. (March 2005) and SFAS 123R, the value of services performed by principal shareholders was in substance an equity contribution and should be recorded as compensation expense.

On page F-6 and F-19 of Amendment No. 1 to Form SB-2, we have revised our financial statements to reflect this expense which totaled $74,404 and $382,500 for the years ended January 31, 2005 and 2004, respectively. On April 12, 2004, $1,655,029 of deferred founders' compensation liability, which had accumulated since inception, was waived by the founders and converted to additional paid in capital and our financial statements have been revised accordingly.

Statement of Stockholders' Equity, page F-5

53. **Please revise the statement to include the relevant balances since inception, as required by FAS 7 for development stage companies.**

    On page F-5 to F-6 and F-18 to F-20 of Amendment No. 1 to Form SB-2 we have revised the Statement of Stockholders' Equity to include the relevant balances since inception of the Company.

54. **Please explain why the statement of stockholders' equity reports 13,166,502 shares outstanding as of January 31, 2003. While we would expect 13,166,502 shares to be outstanding after the merger on July 2, 2004, it is not clear why the 10.9 million shares of Used Kar Parts would be reported prior to the merger. Also, we note the recapitalization appears to have resulted in a significant increase to equity for Xenomics, based on the financial statements of Xenomics provided in your 8-K/A filed on September 15, 2004. Please tell us how this could have occurred, as a recapitalization would typically not result in an increase to equity, unless cash or other assets were received in the transaction.**

    On page F-5 to F-6 and F-18 to F-20 of Amendment No. 1 to Form SB-2 we have revised the Statement of Stockholders' Equity to exclude Used Kar Parts balances prior to the recapitalization.

    Please also see Exhibit 2 "Proforma Balance Sheet" attached to this letter which describes the impact of the recapitalization on the July 1, 2004 Xenomics Sub balance sheet.

Cash Flow Statement, page F-6

55. **Please revise the presentation of the financing activities section of the statement to present repurchases of common stock separately from issuances. Also, disclose cash paid for interest and taxes if none, please indicate this in your disclosure**

    On page F-7 and F-21 of Amendment No. 1 to Form SB-2 we have revised the presentation of the financing activities section of the Statement of Cash Flows to present repurchases of common stock separately from issuances. In addition, we have indicated that no cash was paid for interest and taxes.

Note 1 - Business Overview, page F-7

56. **Please explain, in detail, how you determined that a charge for purchased in-process development was appropriate, when you state that the transaction was accounted for as a recapitalization. We note that purchased in-process research and development charges typically occur in a transaction accounted for as a business combination as discussed in paragraph 42 of FAS 141. By contrast, in a recapitalization, no goodwill or intangible assets are recorded since no business combination has occurred.**

On page F-3 to F-7 and F-16 to F-21 of Amendment No. 1 to Form SB-2 we have revised our financial statements to reflect the reversal of purchased in-process development expense and clarified our footnotes accordingly.

57. **Please tell us why the shares transferred to escrow were recorded at their par value, rather than the fair value of the date of transfer. Also, please clarify whether these shares were outstanding prior to the recapitalization, or were issued as part of the transaction and then transferred to treasury shares. Clarify your disclosure to indicate whether the undisclosed liabilities relate to the company or the former Xenomics shareholders, and when this determination will be made.**

On page F-8 of Amendment No. 1 to Form SB-2 we have clarified Footnote 1, disclosing that these shares were issued at the date of the recapitalization. The escrow period was for one year to July 2, 2005 at which time a determination of liability would be made.

The shares transferred to escrow were recorded at their par value because they are not paid into capital until a determination has been made whether or not an escrow liability exists, at which time the number of shares released from escrow would be capitalized at the fair value on that date.

On page F-24 of Amendment No. 1 to Form SB-2 we have clarified in Footnote 4, that on July 2, 2005 a determination was made that no escrow liability existed and the shares of common stock, issued and held in the treasury for one year since the recapitalization on July 2, 2004, were cancelled.

58. **Please provide us with a schedule showing the balance sheet for Xenomics immediately prior to the recapitalization, the adjustments made to the accounts as a result of the recapitalization, and explanations for all adjustments.**

Please see Exhibit 2 “Pro-forma Balance Sheet” attached to this letter.

Note 3 - Significant Accounting Policies, page F-8

59. **Please revise your disclosure in Note 3, as well as similar disclosures on page 17, to clearly state that all research and development costs are charged to expense in accordance with FAS 2. We note that your current disclosure incorrectly implies that research and development costs may be capitalized at some point in the future, which there is no basis for under U.S. generally accepted accounting principles.**

On page F-9 of Amendment No. 1 to Form SB-2 we have revised our disclosure in Note 3, as well as similar disclosures on page 18, to clearly state that all research and development costs are charged to expense in accordance with FAS 2.

- 60. **Please revise your disclosure to include your accounting policy for the impairment of long-lived assets in accordance with FAS 144.**

  On page F-9 of Amendment No. 1 to Form SB-2 we have revised our disclosure in Note 3, to include our accounting policy for the impairment of long-lived assets in accordance with FAS 144.

Note 4 - Property and Equipment, page F-10

- 61. **We note your disclosure regarding property and equipment. Please tell us whether any property and equipment was recorded in the financial statements or Xenomics prior to the recapitalization, and if so, how the value of this equipment was determined. Your disclosure refers to fair value on the date of acquisition, July 2, 2004, or cost when subsequently acquired and placed into service. Since this transaction should be treated as a recapitalization, the assets and liabilities of the two companies would be combined at book value.**

  Prior to the recapitalization, Xenomics had no property and equipment. On page F-11 of Amendment No. 1 to Form SB-2 we have clarified the disclosure.

Note 5 - Stockholders' Equity, page F-10

- 62. **We note your disclosure regarding the private placements in which units consisting of common stock and warrants were issued. Please tell us how you accounted for the warrants and shares issued to the selling agents in lieu of cash, and revise the disclosure to include the fair value of the warrants and shares issued. Also, please revise your disclosures in the statement of stockholders' equity to state the amount of offering costs paid relating to each placement.**

  The common stock and warrants issued to selling agents were accounted for as a cost of raising capital. On page F-11 of Amendment No. 1 to Form SB-2 our footnote disclosure has been revised to include the fair value of the warrants and common stock issued for each placement and now discusses the accounting for these warrants as a cost of raising capital.

  On page F-6 and on page F-19 to F-20 of Amendment No. 1 to Form SB-2 we have revised our statement of stockholders equity to present offering costs paid in cash and common stock related to each placement as a separate line item.

- 63. **We note your disclosure regarding the registration rights agreements relating to the private placements. Please expand the footnotes to disclose all of the material terms of the registration rights agreement, including the total amount of liquidated damages the company could be responsible for under the agreement. Also, please tell us how you have accounted for the liquidated damages provision. Refer to EITF 05-04 and paragraphs 14-18 of EITF 00-19. Lastly, please tell us whether the final closing of the offering occurred on April 7, 2005, and whether you have incurred any penalties to date under the registration rights agreements.**

On page F-26 of Amendment No. 1 to Form SB-2 we have added disclosure that the Company is required to file a registration statement by May 28, 2005 and the failure to do so resulted in financial penalties in the amount of $16,304. These liquidated damages were computed through August 1, 2005, the date we filed our SB-2 and paid August 7, 2005. These damages were deemed immaterial at July 31, 2005, will be accounted for as a cost of raising capital, and will be charged to additional paid in capital during the quarter ended October 31, 2005.

Also on page F-26 of Amendment No. 1 to Form SB-2 we have also added disclosure that such registration statement is required to be declared effective by the Securities and Exchange Commission by October 25, 2005 and the failure to do would result in financial penalties equal to $34,989 for every 30-day period that the registration was not declared effective by the SEC.

64. **We note your disclosure on page II-3 regarding the 1,000,000 warrants issued to Trilogy Capital Partners. Please tell us how the issuance of the warrants was accounted for in the financial statements, including where the related compensation expense is recorded in the statement of operations. Also, please revise Note 5 to disclose the major terms of the warrants, along with their fair value and the major assumptions used to value them.**

The services of Trilogy Capital Partners were initially considered to be investment banking in nature and the costs associated with the warrants were deemed to be a cost of raising capital and charged to additional paid-in capital. Upon further review we concluded that Trilogy Capital Partners services are investor relations in nature and charge to operations.

On page F-3 to F-7 and F-16 to F-21 of Amendment No. 1 to Form SB-2 we have revised our financial statements to reflect deferred stock-based compensation totaling $862,656 to be amortized over the one year life of the Trilogy agreement. During the year ended January 31, 2005 we amortized $123,063, of which $114,865 is associated with the Trilogy warrants, to stock based compensation expense which we have presented as a separate line item on our statement of operations. On page F-11 and F-26 we have revised our footnote disclosures accordingly.

Please see Exhibit 1 attached to this letter for an explanation of how the Trilogy warrants are valued and accounted for.

On page F-11 of Amendment No. 1 to Form SB-2 we have revised Note 5 to disclose the major terms of the warrants, along with their fair value and the major assumptions used to value them.

Note 6 - Stock Option Plan, page F-10

65. **We note your disclosure that 445,000 options had been granted subject to stockholder approval as of January 31, 2005, and similar disclosure on page 29 that 1,290,000 options had been granted subject to stockholder approval as of July 29, 2005. Please note that as discussed in paragraphs 86-87 of FIN 44, when stockholder approval must be obtained, no measurement date can be established under APB 25, unless management and the board of directors control sufficient votes to approve the plan, and as such, shareholder approval is essentially a formality. Based on your beneficial ownership disclosures on page 32, this would not appear to be the case. Accordingly, please revise your financial statements for each period to disclose that a measurement date with respect to the options granted prior to stockholder approval has not occurred, and when such measurement date does occur, compensation expense will be recorded for any excess of the fair market value on that date over the exercise price. In addition, please revise MD&A as appropriate to discuss any resulting known trends, events or uncertainties in accordance with Item 303(b)(1) of Regulation S-B.**

While we initially felt it more prudent and conservative to record stock based compensation assuming shareholder approval, upon further review of paragraphs 86-87 of FIN 44, together with our beneficial ownership disclosures on page 33 we have concluded that management and the board of directors do not control sufficient votes to make shareholder approval essentially a formality and thus no measurement date can be established under APB 25.

On page F-3 to F-7 and F-16 to F-21 of Amendment No. 1 to Form SB-2 we have accordingly revised our financial statements and disclosures such that with respect to options issued subject to shareholder approval a measurement date has not occurred, and when such measurement date does occur, compensation expense will be recorded for any excess of the fair market value on that date over the exercise price. We accordingly recorded no stock based compensation expense on these options.

66. **Please tell us how you determined that no compensation expense should be recorded during the year ended January 31, 2005. We note that the range of exercise prices for your stock options is $l.25-$2.50, while the range of stock prices during the year ended January 31, 2005 was $2.75-$4.35 as disclosed on page 31. Please tell us the date of each stock option grant, and how you determined the fair value on the date of grant.**

For options granted prior to July 2, 2004 we used a stock price of $0.95 per share to determine stock based compensation expense since there was no public market for the stock. The stock price of $0.95 per share was based on the private placement we closed on July 2, 2004. The private placement reflects an arms length negotiated price for unregistered common stock and the options granted are exercisable into unregistered common stock. No liquidity discount was imputed.

For options granted during the first seven months of public trading (July 2, 2004 through January 31, 2005) we continued to use the stock price of the most recent private placement to determine stock-based compensation expense. We used $0.95 per share through October 31, 2004 and $1.95 per share from November 1, 2004 to January 31, 2005. During this initial trading period the Company's stock traded on only 35,035 shares on only 40 days out of 146 trading days. We felt that using closing stock prices on the sporadic and thinly traded over-the-counter market was not indicative of market value.

Please see Exhibit 1 "Accounting for Stock-Based Compensation Expense 2004 - 2005" which is attached to this letter for a more detailed response to your comment, including a list of options granted.

Please also refer to our response to comment 65 above regarding sock based compensation accounting treatment.

Note 8 - SpaXen Joint Venture, page F-12

67. **We note your disclosure regarding the SpaXen joint venture. Based on your disclosure, it appears that no amounts are recorded in the financial statements relating to the joint venture. Tell us how you evaluated the joint venture in accordance with FIN 46R to determine whether the joint venture is a variable interest entity, and if so, which party represents the primary beneficiary.**

The SpaXen Italia, S.R.L. joint venture ("SpaXen") was not consolidated in our financial statements because we believe our 50% partner, the Instituto Nazionale per le Mallattie Infettive Lazzaro Spallanzani ("INMI"), not Xenomics, is the primary beneficiary given (i) paragraph 5 of the Shareholders Agreement which stipulates that "any surplus found to exist following liquidation…is the exclusive property of INMI"; and (ii) paragraph 6 of the Shareholders Agreement which stipulates that any Newly Developed IP and patents thereon are the property of INMI.

Also SpaXen is managed by a 3 person Board of Directors to which the Company can only appoint one representative, Dr. L. David Tomei, which gives us a measure of oversight but it does not give us effective control.

We also believe that the SpaXen meets several exceptions to the scope of FIN 46R. First under paragraph 4(a) of FIN 46R we view SpaXen as a not-for-profit entity specifically chartered (Article 3 of its Deed of Incorporation) to only do research developing new and innovative technologies applying our diagnostic know how to the field of infectious diseases. Second, under paragraph 4(i) of FIN 46R INMI (our 50% partner, the Instituto Nazionale per le Mallattie Infettive Lazzaro Spallanzani) is an Italian governmental organization which established SpaXen in Italy. While SpaXen is not itself a governmental organization all research activity is performed at an INMI laboratory using INMI staff.

On page F-13 and F-25 of Amendment No. 1 to Form SB-2 we have expanded our disclosure regarding SpaXen.

- 68. **Please tell us whether your interest in the SpaXen joint venture is subject to the, repurchase right for the Xenomics technology disclosed in Note 9.**

  The Technology Acquisition Agreement disclosed in Note 9 of the Financial Statements is for the assignment of "Core Technology" which we believe does not include the rights to any SpaXen equity. We believe that the Core Technology would include any improvements to the technology that SpaXen is required to license back to Xenomics and conversely the assignment of Core Technology to the inventors would be subject to licenses outstanding (including contributions of infectious testing technology to SpaXen) at the time of the exercise of the option.

Note 9 - Commitments and Contingencies, page F-12

- 69. **We note your disclosure regarding various employment agreements. Please tell as whether any bonus payments were earned by the executives through January 31, 2005, and if so, where the amounts are recorded in the financial statements. Also, please revise the disclosure to include the dollar amounts of bonuses that may be earned by Dr. Tomei**.

  No bonuses were earned by any executives under employment or consulting agreements through January 31, 2005. On page F-15 of Amendment No. 1 to Form SB-2 we have revised our disclosure to include the dollar amounts of bonuses that may be earned by Dr. Tomei upon achievement of certain development milestones.

- 70. **We note your disclosure regarding the incentive stock options granted to Dr. White. Please note that the terms of the option vesting schedule do not appear to be in compliance with Section 422 of the Internal Revenue Code, which limits the fair market value of options that become exercisable in each calendar year to $100,000. Accordingly, please tell us whether you intend to modify the option agreement with Dr. White, and if so, disclose the projected impact of the modification in accordance with FIN 44.**

  The Company does not intend to modify Dr. White's stock option agreement. We have advised Dr. White to seek professional tax advice.

Interim Financial Statements

- 71. **Please revise the interim financial statements, as appropriate, to reflect revisions made to the financial statements for the year ended January 31, 2005.**

  We have revised our interim financial statements, as appropriate, to reflect revisions made to the financial statements for the year ended January 31, 2005.

Note 2 - Basis of Presentation, page F-18

72. **Please revise your disclosure to include a brief discussion of the basis of presentation of the interim financial statements. Under Item 310(b) of Regulation S-B, interim financial statements must include an affirmative statement to the effect that the financial statements include all adjustments which in the opinion of management are necessary in order to make the financial statements not misleading. In addition, we believe that it is advisable to include a statement to the effect that interim financial statements do not include all of the disclosures required for complete financial statements prepared in accordance with generally accepted accounting principles.**

On page F-22 of Amendment No. 1 to Form SB-2 we have revised Note 2 disclosure to include a brief discussion of the basis of presentation of the interim financial statements and we have included a statement that interim financial statements do not include all of the disclosures required for complete financial statements prepared in accordance with generally accepted accounting principles.

Note 4 - Stockholders' Equity, page F-20

73. **We note your disclosure regarding the acceleration of vesting of various stock options on page 29. Based on your disclosure, it would appear that the option agreements were modified based on the determination of the compensation committee. If this is the case, a new measurement date is created on the date of modification, as discussed in paragraphs 32-34 of FIN 44. As a result, please note that if any of the named individuals terminate employment prior to the final vesting date(s) of the original award(s), you will be required to record future compensation expense based on the intrinsic value at the date of the modification, for the number of shares that would not have vested absent the modification. Please disclose the amount of intrinsic value resulting from the acceleration, and the resulting future compensation expense that will be required to be recognized if any of the named individuals terminate their employment in the future, prior to the original vesting dates. Also, consider whether similar disclosures are required in MD&A relating to known trends, events or uncertainties in accordance with Item 303(b)(1) of Regulation S-B.**

We believe there was no modification requiring change to original accounting treatment because the acceleration did not "vest options which would have otherwise expired unexercised" per paragraph 36 FIN 44

Please see Exhibit 1 attached to this letter for details of each grant

74. **With respect to the option acceleration described on page 29 for Mr. Cerrone, please tell us how the compensation committee determined that his contributions for the past year were significant on May 24, 2005, given your disclosure on page 24 that he was first associated with the company in June 2005 as a consultant, and was appointed co-chairman of the board of directors in July 2005. Please tell us how you accounted for the options granted to Mr. Cerrone prior to the acceleration. We note that as a non-employee, any options granted to Mr. Cerrone would be recorded at fair value in accordance with FAS 123 and EITF 96-18, as applicable. In addition, based on the terms of the consulting agreement with Mr. Cerrone, it would appear that the services provided do not meet the exception for non-employee directors as outlined in paragraph 8 of FIN 44. Accordingly, any options granted to Mr. Cerrone after he became a director would also be accounted at fair value in accordance with FAS 123 and EITF 96-18.**

The Compensation Committee took into account a number of factors in determining that Mr. Cerrone's contributions to Xenomics during the past were significant and he was entitled to have his options accelerated. During the year preceding June 2005, Mr. Cerrone, without compensation, has assisted the Board in recruiting management, acted as an intermediary between Xenomics and the Spallanzani National Institute for Infectious Diseases in connection with the establishment of the SpaXen joint venture, assisted Xenomics in establishing its lab facilities in the U.S. and Italy, attended Board meetings as an observer at the invitation of the Board and introduced Xenomics to various parties with whom Xenomics many enter into strategic relationships with in the future.

We agree that as a non-employee, any options granted to Mr. Cerrone would be recorded at fair value in accordance with FAS 123 and EITF 96-18. In addition, based on the terms of the consulting agreement with Mr. Cerrone, it would appear that the services provided do not meet the exception for non-employee directors as outlined in paragraph 8 of FIN 44. However, Mr. Cerrone's options were issued subject to shareholder approval and therefore a measurement date has not occurred. When such measurement date does occur, compensation expense will be recorded for any excess of the fair market value on that date over the exercise price. We accordingly recorded no stock based compensation expense on these options to date.

Please see Exhibit 1 attached to this letter for more details regarding this accounting treatment.

75. **Please clarify whether Dr. Tomei serves as an employee or as a consultant, as stated on page P-12. If Dr. Tomei is a consultant rather than an employee, we believe that his stock option grants should also be accounted for under FAS 123 and EITF 96-18, rather than APB 25.**

On page F-15 of Amendment No. 1 to Form SB-2 we have clarified that Dr. Tomei is a consultant to the Company. We agree that as a non-employee, any options granted to Dr. Tomei would be recorded at fair value in accordance with FAS 123 and EITF 96-18. However, Dr. Tomei's 2005 options were also issued subject to shareholder approval and therefore a measurement date has not occurred. When such measurement date does occur, compensation expense will be recorded for any excess of the fair market value on that date over the exercise price. We accordingly recorded no stock based compensation expense on these 2005 options to date.

Please see Exhibit 1 attached to this letter for more details regarding this accounting treatment.

Subsequent Events

76. **We note your disclosure on page 37 regarding the consulting agreement with Mr. Cerrone. Please revise the financial statements to include appropriate disclosures regarding this commitment, including the base compensation, signing bonus and performance bonus provisions specified in Section 4 of the agreement.**

On page F-25 of Amendment No. 1 to Form SB-2 we have added appropriate disclosures regarding Mr. Cerrone's consulting agreement.

77. **Please provide updated disclosures regarding the status of the SpaXen joint venture for subsequent developments as discussed on pages 20-21.**

On page F-25 of Amendment No. 1 to Form SB-2 we have updated our disclosure regarding the status of the SpaXen joint venture.

78. **We note your disclosure of the Series A convertible preferred stock on pages 16 and 38. Please revise the financial statements to disclose the material terms of this issuance, including the dividends, conversion rights, and liquidation preferences of the Series A preferred stock. In addition, please disclose the amount allocated to the Series A preferred stock and the warrants based on their relative fair values in accordance with paragraph 16 of APB 14, and any beneficial conversion feature in accordance with EITF 98-5.**

On page F-24 of Amendment No. 1 to Form SB-2 we have included a discussion of the material terms of the Series A Convertible Preferred Stock and have disclosed the amount allocated to the Series A Convertible Preferred Stock and the warrants based on their relative fair values.

Item 26. Recent Sales of Unregistered Securities

- 79. **Disclose the facts supporting your reliance upon Section 4(2), Rule 504 and Rule 506 as an exemption for these transactions, including any information requirements and the prohibition against general solicitation, as required by Item 701(d) of Regulation S-B.**

  On pages II-2 - II-3 of Amendment No. 1 to Form SB-2 we have disclosed the facts supporting our reliance upon Section 4(2), Rule 504 and Rule 506.

- 80. **We are unable to locate the Item 701 information for the shares issued in the exchange with the Xenomics Sub shareholders**.

  On page II-3 of Amendment No. 1 to Form SB-2 we have added the Item 701 information for the shares issued in exchange with the Xenomics Sub shareholders.

Item 27. Exhibits

- 81. **Revise your legality opinion to indicate that the opinion opines upon Florida law including the statutory provisions, all applicable provisions of the Florida Constitution and all reported judicial decisions interpreting those laws**.

  We have revised our legal opinion to indicate that the opinion opines upon Florida law.

- 82. **Exhibits 10.6 and 10.8 are incorporated by reference from exhibits 99.2 and 99.3 to a Form 8-K filed July 19, 2004. Please confirm these references. In addition, we are unable to locate exhibit 10.5 as incorporated to exhibit 2.4 to the Form 8-K filed July 19, 2004.**

  In the Exhibit table we have amended Exhibits 10.6 and 10.8 so that the cross-references are now correct. Exhibit 10.5 is incorporated by reference from Exhibit 2.4 to the Form 8-K filed July 19, 2004. Unfortunately Exhibit 2.4 to the Form 8-K filed July 19, 2004 is listed on EDGAR as Exhibit 24. When you click into Exhibit 24, the header of such document says Exhibit 2.4. We believe there is limited confusion regarding this issue because investors clicking into the Form 8-K filed July 19, 2004 will see the list of exhibits and Exhibit 24 falls between Exhibit 2.3 and Exhibit 2.5.

- 83. **The SpaXen joint venture agreement does not appear to have been filed.**

  A SpaXen joint venture agreement does not exist. There is a Shareholders Agreement between the Company and the National Institute of Infectious Diseases "Lazzaro Spallanzani" dated April 7, 2004 which is incorporated by reference to exhibit 10.15 to the Company's Annual Report on Form 10-KSB filed on May 17, 2005. In addition on June 28, 2005, the Company, SpaXen and the Spallanzani National Institute for Infectious Diseases entered into a license agreement. We have not filed the license agreement because we do not believe it is a material contract of the Company.

34 Act Reports

84. **Please amend your Form 10-KSB for the year ended January 31, 2005 and all subsequent periodic reports in accordance with the above comments.**

Concurrently herewith we have amended our Form 10-KSB for the year ended January 31, 2005 and our Form 10-QSB for the quarter ended July 31, 2005.

Very truly yours,

Jeffrey J. Fessler

Exhibit 1

Memorandum

Accounting for Stock-Based Compensation Expense 2004 - 2005

On July 2, 2004 Xenomics completed a private placement of 2,645,210 shares of our common stock for aggregate proceeds of $2,512,950, or **$0.95** per share. The sale was made to 17 accredited investors.

On January 28, 2005, the Company closed a private placement of 1,470,718 shares of common stock and 367,681 warrants sold as a unit (the "Units") at a price of **$1.95** per Unit for aggregate proceeds of approximately $2.9 million. Each Unit consisted of one share of common stock and a warrant to purchase one quarter share of common stock. The warrants are immediately exercisable at **$2.95** per share

Stock price and trading history:

First day publicly traded	July 2, 2004
First day of trading:	July 27, 2004
Closing price 7/27/04	$0.03
Shares traded 7/2/04 to 1/31/05	35,035
Number of trading days this period	146
Number of days the stock traded	40 (27%, a little more than one a week)
Average volume per day traded	876 shares
Closing price January 31, 2005	$4.00
Shares traded 2/1/05 to 4/30/05	361,200
Number of trading days this period	62
Number of days traded	29 (47%, less than half the time)
Average volume per day traded	12,455 shares
Closing price April 30, 2005	$2.61
Shares trade 5/1 to 7/31/05	2,308,700
Number of trading days this period	63
Number of days stock traded	61(97%, almost every day)
Average volume per day traded	37,848
Closing price July 31, 2005	$2.50

Stock-based compensation - Options (see Table 1. below)

For options granted prior to July 2, 2004 (no public market) we used a stock price of **$0.95** per share to determine stock based compensation expense. This was based on the private placement we closed on July 2, 2004. The private placement reflects an arms length negotiated price for unregistered common stock and the options granted are exercisable into unregistered common stock. No liquidity discount was imputed.

For options granted during the first seven months of public trading (July 2, 2004 through January 31, 2005) we continued to use the stock price the most recent private placement price to determine stock-based compensation **$0.95** through October 31, 2004 and **$1.95** from November 1, 2004 to January 31, 2005. We felt the closing stock price on the thinly traded over-the-counter market was not indicative of market value.

Subsequent to January 31, 2005, as the stock trading volume began to increase, we used the stock price on the day options were granted to compute stock based compensation expense. It is important to note that by July 31, 2005 the publicly traded price, discounted for liquidity converged on the January 28, 2005 private placement price.

Table 1. Option grants

Option Holder Name	Grant Date	Stock Price	Exercise Price	Granted	Fair Value	Intrinsic Value	Status
Hovsep Melkonyan	06/24/2004	$0.95	$1.25	675,000	$10,732	**$0**	EE/Director
L. David Tomei	06/24/2004	$0.95	$1.25	1,012,500	**$16,099**	$0	Consultant
Gabriele M. Cerrone	06/24/2004	$0.95	$1.25	1,050,000	**$16,695**	$0	Consultant
Samuil Umansky	06/24/2004	$0.95	$1.25	1,012,500	$16,099	**$0**	EE/Director
V. Randy White	09/13/2004	$0.95	$2.25	1,250,000	$738,410	**$0**	EE/Director
				5,000,000			
V. Randy White	09/13/2004	$0.95	$2.25	175,000	103,377	**$0**	EE/Director
Donald Picker	09/20/2004	$0.95	$1.25	75,000	$57,594	**$0**	EE/Director
Natalie Cooper	11/29/2004	$1.95	$2.50	5,000	$7,007	**$0**	EE/Director
Annie Picinich	12/06/2004	$1.95	$2.50	10,000	$14,014	**$0**	EE/Director
Vladimir Scheinker	12/06/2004	$1.95	$2.50	12,000	$16,817	**$0**	EE/Director
Eugene Shekhtman	12/09/2004	$1.95	$2.50	12,000	$16,817	**$0**	EE/Director
Eric Meyer	01/03/2005	$1.95	$2.50	12,000	$16,817	**$0**	EE/Director
Elysia Preston	01/04/2005	$1.95	$2.50	9,000	$12,613	**$0**	EE/Director
Bernard Denoyer	01/14/2005	$1.95	$2.50	75,000	$105,104	**$0**	EE/Director
David Ladner	01/31/2005	$1.95	$2.50	60,000	$84,083	**$0**	EE/Director
				445,000			
Total grants FYE	01/31/2005			5,445,000	**$32,793**		
Trilogy Warrant	12/13/2004	$1.95	$2.95	1,000,000	$862,656		Consultant
Gary Jacob	03/21/2005	$2.55	$1.25	50,000	$113,642	**$65,000**	EE/Director
L. David Tomei	05/24/2005	$2.95	$2.50	255,000	**$580,879**		Consultant
Gabriele M. Cerrone	05/24/2005	$2.95	$2.50	240,000	**$546,710**		Consultant
Samuil Umansky	05/24/2005	$2.95	$2.50	225,000	$512,540	**$101,250**	EE/Director
Hovsep Melkonyan	05/24/2005	$2.95	$2.50	75,000	$170,847	**$33,750**	EE/Director

Trilogy Warrant Accounting:

On December 13, 2004 Xenomics entered into a letter of engagement (the "Agreement") with Trilogy Capital Partners, Inc. ("Trilogy"). The term of the Agreement is for twelve months to provide marketing and financial public relations services. Trilogy will assume the responsibilities of an "Investor Relations Officer" and Xenomics will pay Trilogy $10,000 per month under the Agreement. Pursuant to the Agreement, Xenomics issued warrants to Trilogy to purchase 1,000,000 shares of common stock of Xenomics at an exercise price of **$2.95** per share (the "Warrants"). The Warrants issued to Trilogy are exercisable upon issuance and expire on December 13, 2007.

The Fair Value of the Warrants using the Black-Scholes methodology, assuming a stock price of **$1.95** per share, consistent with rationale used for options, results in $862,656 of stock based compensation. Because of the size of the Warrants (1,000,000 shares) we feel that using a stock price determined at arms length in a private financing of comparable size (e.g. January 28 2005 - 1,470,718 shares) is more indicative of the fair market value of the company's stock.

Exhibit 2. Pro-forma Balance Sheet

Xenomics Sub
Balance Sheet Proforma Pre and Post Recapitalization

Unaudited

	Cash	Other Assets	Liabilities	Common Stock Shares (1)	Common Stock Par Value	Treasury Shares	Additional Paid in Capital	Deferred Unamortized Stock-based Compensation	Deficit Accumulated During Development Stage	Total Stockholders' Equity
Balances July 1, 2004 (pre recapitalization)	$ 339	$ 2,161	$ 2,820	229,548,000	$ 22,955	$ 0	$ 1,757,955	($32,350)	($1,748,880)	($320)
Private Placement common stock (2)	2,512,950			2,645,210	265		2,512,685			2,512,950
Redeemed shares from Panetta Partners, Ltd (3)	(500,000)			(218,862,474)	(21,886)		(478,114)			(500,000)
Cost associated with recapitalization	(308,060)						(308,060)			(308,060)
Share exchange with Xenomics Founders (4)				2,258,001	226		(226)			0
Issuance of treasury shares to escrow				350,000	35	(35)				0
Balances July 2, 2004 (post recapitalization)	$ 1,705,228	$ 2,161	$ 2,820	15,938,737	$ 1,595	($35)	$ 3,484,240	($32,350)	($1,748,880)	$ 1,704,570

(1) All share amounts reflect the split our stock outstanding 111 for 1 (effective July 26, 2004).

(2) On July 2, 2004 we completed a private placement of 2,645,210 shares of our common stock for aggregate proceeds of $2,512,950, or $0.95 per share. The sale was made to 17 accredited investors directly by us without any general solicitation or broker and thus no finder's fees were paid.

(3) Redeemed 1,971,734 pre-split shares (the equivalent of 218,862,474 post-split shares) from Panetta Partners Ltd., a principal shareholder at the time, for $500,000 or $0.0023 per share.

(4) On July 2, 2004, we acquired Xenomics, an unaffiliated California corporation ("Xenomics Sub") by issuing 2,258,001 shares of our common stock to Xenomics Subs' five shareholders in exchange for all outstanding shares of Xenomics Sub stock (the "Exchange"). Xenomics Sub was formed on August 4, 1994. For accounting purposes, the acquisition has been treated as an acquisition of Used Kar Parts, Inc. by Xenomics Sub and as such a recapitalization of Xenomics Sub. Accordingly, the historical financial statements from inception on August 4, 1999 to July 2, 2004 are those of Xenomics Sub.