

HEMISPHERX BIOPHARMA INC  
Form 10-K/A  
January 16, 2008

**FORM 10-K/A**  
**SECURITIES AND EXCHANGE COMMISSION**  
**x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE**  
**SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2006**  
**OR**  
**o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE**  
**SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File No. 1-13441**

**HEMISPHERX BIOPHARMA, INC.**  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

52-0845822  
(I.R.S. Employer Identification  
Number)

1617 JFK Boulevard Philadelphia, Pennsylvania  
(Address of principal executive offices)

19103  
(Zip Code)

Registrant's telephone number, including area code: (215) 988-0080

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, \$.001 par value

Securities registered pursuant to Section 12(g) of the Act:

(Title of Each Class)

NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

Indicate by check mark whether the registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes o No x

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

Yes  No

The aggregate market value of Common Stock held by non-affiliates at June 30, 2006, the last business day of the registrant's most recently completed second fiscal quarter, was \$155,317,988.

The number of shares of the registrant's Common Stock outstanding as of March 8, 2007 was 69,640,036.

**DOCUMENTS INCORPORATED BY REFERENCE:** None.

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### Explanatory Note

This amendment on Form 10-K/A (the “Form 10-K/A”) amends our annual report for the fiscal year ended December 31, 2006 originally filed with the Securities and Exchange Commission (“SEC”) on March 19, 2007 (the “Form 10-K”). We are filing this amendment to clarify disclosure in Item 11. Executive Compensation.

No attempt has been made in this Form 10-K/A to modify or update disclosures in the Form 10-K except as required to address the above issue. This Form 10-K/A does not reflect events occurring after the filing of the Form 10-K or modify or update any related disclosures. Information not affected by the amendment is unchanged and reflects the disclosure made at the time of the filing of the Form 10-K with the SEC. Accordingly, this Form 10-K/A should be read in conjunction with the Form 10-K and our filings made with the SEC subsequent to the filing of the Form 10-K, including any amendments to those filings.

In accordance with Rule 12b-15 promulgated under the Securities and Exchange Act of 1934, as amended, the complete text of Part III, Item 11 and Part IV, Item 15 are set forth herein, including those portions of the text that have not been amended from that set forth in the Form 10-K. The only changes to the text from the Form 10-K are as follows:

#### Part III

##### Item 11. Executive Compensation.

- Footnote 1 to the “Summary Compensation” table has been revised.
- The table setting forth certain information regarding stock options and warrants granted during 2006 to the executive officers has been added.
- Footnote 2 to the “Directors’ Compensation” table has been revised.

#### Part IV

##### Item 15. Exhibits and Financial Statement Schedules.

- Updated certifications from our Chief Executive Officer and Chief Financial Officer are attached as Exhibits 31.1, 31.2, 32.1, and 32.2.

## **Item 11. Executive Compensation.**

### **Compensation Discussion and Analysis**

#### **Objectives and Philosophy of Executive Compensation**

The primary objectives of the compensation committee of our board of directors with respect to executive compensation are to attract and retain the most talented and dedicated executives possible, to tie annual and long-term cash and stock incentives to achievement of measurable performance objectives, and to align executives' incentives with stockholder value creation. To achieve these objectives, the compensation committee expects to implement and maintain compensation plans that tie a substantial portion of executives' overall compensation to key strategic financial and operational goals such as the establishment and maintenance of key strategic relationships, the development of our products, the identification and advancement of additional product and the performance of our common stock price. The compensation committee evaluates individual executive performance with the goal of setting compensation at levels the committee believes are comparable with executives in other companies of similar size and stage of development operating in the biotechnology industry while taking into account our relative performance and our own strategic goals.

Our compensation plans are developed by utilizing publicly available compensation data and subscription compensation survey data for national and regional companies in the biopharmaceutical industry. We believe that the practices of this group of companies provide us with appropriate compensation benchmarks, because these companies have similar organizational structures and tend to compete with us for executives and other employees. For benchmarking executive compensation, we typically review the compensation data we have collected from the complete group of companies, as well as a subset of the data from those companies that have a similar number of employees as our company. We have also engaged independent outside consultants to help us analyze this data and to compare our compensation programs with the practices of the companies represented in the compensation data we review.

#### **Elements of Executive Compensation**

Executive compensation consists of the following elements:

##### **Base Salary**

Base salaries for our executives are established based on the scope of their responsibilities, taking into account competitive market compensation paid by other companies for similar positions. Generally, we believe that executive base salaries should be targeted near the median of the range of salaries for executives in similar positions with similar responsibilities at comparable companies, in line with our compensation philosophy. Base salaries are reviewed annually, and adjusted from time to time to realign salaries with market levels after taking into account individual responsibilities, performance and experience. This review normally occurs in the fourth quarter of each year.

On November 6, 2006, the Board of Directors, at the recommendation of the compensation committee and based upon an independent valuation of Executive Compensation by the compensation committee determined that: (1) Dr. Carter's annual compensation under his Employment and Engagement Agreements be increased by \$90,000 and \$60,000, respectively; and (2) Robert E. Peterson's annual compensation under his Engagement Agreement be increased by \$50,000. These annual compensation adjustments were retroactive to January 1, 2006.

### Annual Bonus

Our compensation program includes eligibility for an annual performance-based cash bonus in the case of all executives and certain senior, non-executive employees. The amount of the cash bonus depends on the level of achievement of the stated corporate, department, and individual performance goals, with a target bonus generally set as a percentage of base salary. As provided in their employment agreements, our Chief Executive Officer and Chief Financial Officer are eligible for an annual performance-based bonus up to 25% of their salaries, the amount of which, if any, is determined by the board of directors in its sole discretion based on the recommendation of the compensation committee.

The compensation committee utilizes annual incentive bonuses to compensate officers for achieving financial and operational goals and for achieving individual annual performance objectives. These objectives will vary depending on the individual executive, but will relate generally to strategic factors such as establishment and maintenance of key strategic relationships, development of our product, identification and research and development of additional products, and to financial factors such as raising capital and improving our results of operations.

### Long-Term Incentive Program

We believe that long-term performance is achieved through an ownership culture that encourages such performance by our executive officers through the use of stock and stock-based awards. Our stock plans have been established to provide our employees, including our executive officers, with incentives to help align those employees' interests with the interests of stockholders. The compensation committee believes that the use of stock and stock-based awards offers the best approach to achieving our compensation goals. We have historically elected to use stock options as the primary long-term equity incentive vehicle. We have adopted stock ownership guidelines and our stock compensation plans have provided the principal method, other than through direct investment for our executive officers to acquire equity in our company. We believe that the annual aggregate value of these awards should be set near competitive median levels for comparable companies. However, in the early stage of our business, we provided a greater portion of total compensation to our executives through our stock compensation plans than through cash-based compensation.

### Stock Options

Our stock plans authorize us to grant options to purchase shares of common stock to our employees, directors and consultants. Our compensation committee oversees the administration of our stock option plan. The compensation committee reviews and recommends approval by our Board of Directors of stock option awards to executive officers based upon a review of competitive compensation data, its assessment of individual performance, a review of each executive's existing long-term incentives, and retention considerations. Periodic stock option grants are made at the discretion of the Board of Directors upon recommendation of the compensation committee to eligible employees and, in appropriate circumstances, the compensation committee considers the recommendations of members of management. In 2006, certain named executive officers were awarded stock options in the amounts indicated in the section entitled "Stock Option Grants to Executive Officers." These grants included grants made in connection with merit-based grants made by the board of directors to a large number of employees, including certain executive officers, which were intended to encourage an ownership culture among our employees. Grants were made to certain of our employees who had been employed with us for at least one year based on past performance of such employees and to encourage continued service with us. Stock options granted by us have an exercise price equal to the fair market value of our common stock on the day of grant and typically vest over a period of years based upon continued employment, and generally expire ten years after the date of grant. Incentive stock options also include certain other terms necessary to assure compliance with the Internal Revenue Code of 1986, as amended, or Internal Revenue Code.

We expect to continue to use stock options as a long-term incentive vehicle because; (1) Stock options align the interests of executives with those of the shareholders, support a pay-for-performance culture, foster employee stock ownership, and focus the management team on increasing value for the shareholders, (2) Stock options are performance based. All the value received by the recipient of a stock option is based on the growth of the stock price, (3) Stock options help to provide a balance to the overall executive compensation program as base salary and our discretionary annual bonus program focus on short-term compensation, while the vesting of stock options increases shareholder value over the longer term, and (4) The vesting period of stock options encourages executive retention and the preservation of shareholder value.

In determining the number of stock options to be granted to executives, we take into account the individual's position, scope of responsibility, ability to affect profits and shareholder value and the individual's historic and recent performance and the value of stock options in relation to other elements of the individual executive's total compensation.

As of December 31, 2006, 4,671,299 shares were available for future grants under the 2004 Plan. Options granted include 633,080 in 2004, 1,352,600 in 2005 and 1,345,742 in 2006. Unless sooner terminated, the Equity Incentive Plan will continue in effect for a period of 10 years from its effective date.

#### Restricted Stock and Restricted Stock Units

Our 2004 Equity Compensation Plan authorizes us to grant restricted stock and restricted stock units. To date, we have not granted any restricted stock or restricted stock units under our 2004 equity compensation plan. We anticipate that in order to implement the long-term incentive goals of the compensation committee we may grant restricted stock units in the future.

#### **Other Compensation**

Our Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and General Counsel have employment, and/or engagement contracts that will remain in effect until they are terminated, expire, or are renegotiated. Each contract is different with respect to specific benefits or other compensation. We maintain a broad-based benefits program that is provided to all employees including vacation, sick leave and health insurance. Details of these agreements are as follows:

On March 11, 2005, our board of directors, at the recommendation of the Compensation Committee, approved an amended and restated employment agreement and an amended and restated engagement agreement with Dr. William A. Carter. On November 6, 2006, our Board of Director's, at the recommendation of the Compensation Committee adjusted the compensation within Dr. Carter's Employment and Engagement Agreement and Robert E. Peterson's Engagement Agreement based upon an independent valuation of Executive Compensation and determined that Dr. Carter's annual compensation under his Employment and Engagement Agreements be increased by \$90,000 and \$60,000, respectively. In addition, Robert E. Peterson's annual compensation under his Employment and Engagement Agreement was increased by \$50,000 as noted within the same, valuation report. These annual compensation adjustments were retroactive to January 1, 2006.

The employment agreement, as adjusted, provides for Dr. Carter's employment as our Chief Executive Officer and Chief Scientific Officer until December 31, 2010 unless sooner terminated for cause or disability. The agreement automatically renews for successive one year periods after the initial termination date unless the Company or Dr. Carter give written notice otherwise at least ninety days prior to the termination date or any renewal period. Dr. Carter has the right to terminate the agreement on 30 days' prior written notice. The base salary is subject to adjustments and the average increase or decrease in the Consumer Price Index for the prior year. In addition, Dr. Carter could receive an annual performance bonus of up to 25% of his base salary, at the sole discretion of the Compensation Committee of the board of directors, based on his performance or our operating results. Dr. Carter will not participate in any discussions concerning the determination of his annual bonus. Dr. Carter is also entitled to an incentive bonus of 0.5% of the gross proceeds received by us from any joint venture or corporate partnering arrangement. Dr. Carter's agreement also provides that he be paid a base salary and benefits through the last day of the then term of the agreement if he is terminated without "cause", as that term is defined in agreement. In addition, should Dr. Carter terminate the agreement or the agreement be terminated due to his death or disability, the agreement provides that Dr. Carter be paid a base salary and benefits through the last day of the month in which the termination occurred and for an additional twelve month period. Pursuant to his original agreement, Dr. Carter was granted options to purchase 73,728 (post split) shares in 1991. The exercise period of these options is extended through December 31, 2010 and, should Dr. Carter's employment agreement be extended beyond that date, the option exercise period is further extended to the last day of the extended employment period. In accordance with FASB Interpretation No. 44, Accounting for Certain Transactions Involving Stock Compensation, no compensation expense was recognized as the exercise price at the extension date exceeded the fair value of the underlying common stock.

The engagement agreement provides for our engagement of Dr. Carter as a consultant related to patent development, as one of our directors and as chairman of the Executive Committee of our board of directors until December 31, 2010 unless sooner terminated for cause or disability. The agreement automatically renews for successive one year periods after the initial termination date or any renewal period. Dr. Carter has the right to terminate the agreement on 30 days' prior written notice. The base fee is subject to annual adjustments equal to the percentage increase or decrease of annual dollar value of directors' fees provided to our directors during the prior year. The annual fee is further subject to adjustment based on the average increase or decrease in the Consumer Price Index for the prior year. In addition, Dr. Carter could receive an annual performance bonus of up to 25% of his base fee, at the sole direction of the Compensation Committee of the board of directors, based on his performance. Dr. Carter will not participate in any discussions concerning the determination of this annual bonus. Dr. Carter's agreement also provides that he be paid his base fee through the last day of the then term of the agreement if he is terminated without "cause", as that term is defined in the agreement. In addition, should Dr. Carter terminate the agreement or the agreement be terminated due to his death or disability, the agreement provides that Dr. Carter be paid fees due him through the last day of the month in which the termination occurred and for an additional twelve month period.

On February 14, 2005 we entered into an agreement with The Sage Group of Branchburg, New Jersey for R. Douglas Hulse, an Executive Director of The Sage Group, to serve as President and Chief Operating Officer of the Company. In addition, other Sage Group principals and Senior Directors will be made available to assist as needed. The engagement is expected to continue for a period of 18 months; however, it is terminable on 30 days written notice by either party after 12 months. Compensation for the services includes a ten year warrant to purchase 250,000 shares of our common stock at an exercise price of \$1.55. These warrants are to be issued to Sage Healthcare Advisors, LLC and are to vest at the rate of 12,500 per month of the engagement with 25,000 vesting upon completion of the eighteenth month. Vesting accelerates in the event of a merger or a purchase of a majority of our assets or equity. The Sage Group also is to receive a monthly retainer of \$10,000 for the period of the engagement. In addition, for each calendar year (or part thereof) during which the agreement is in effect, The Sage Group will be entitled to an incentive bonus in an amount equal to 0.5% of the gross proceeds received by us during such year from any joint ventures or corporate partnering arrangements. After termination of the agreement, The Sage Group will only be entitled to receive the incentive bonus based upon gross proceeds received by us during the two year period commencing on the termination of the agreement with respect to any joint ventures or corporate partnering arrangements entered into by us during the term of the agreement. Mr. Hulse will devote approximately two to two and one half days per week to our business. We used the Black-Scholes valuation model to value the shares received by the Sage Group pursuant to the agreement. We recorded a charge to earnings of approximately \$124,000 in 2005 with a related increase to additional paid in capital.

Mr. Hulse resigned during the fourth quarter of 2006. His various responsibilities to The Sage Group have grown to preclude him from dedicating his time fully to the Company. He intends to continue with us in a capacity of Senior Advisor to our Chairman and Board of Directors.

We entered into an engagement agreement, retroactive to January 1, 2005, with Ransom W. Etheridge which provides for Mr. Etheridge's engagement as our General Counsel until December 31, 2009 unless sooner terminated for cause or disability. The agreement automatically renews for successive one year periods after the initial termination date unless we or Mr. Etheridge give written notice otherwise at least ninety days prior to the termination date or any renewal period. Mr. Etheridge has the right to terminate the agreement on 30 days' prior written notice. The initial annual fee for services is \$96,000 and is annually subject to adjustment based on the average increase or decrease in the Consumer Price Index for the prior year. Mr. Etheridge's agreement also provides that he be paid all fees through the last day of then current term of the agreement if he is terminated without "cause" as that term is defined in the agreement. In addition, should Mr. Etheridge terminate the agreement or the agreement be terminated due to his death or disability, the agreement provides that Mr. Etheridge be paid the fees due him through the last day of the month in which the termination occurred and for an additional twelve month period. Mr. Etheridge will devote approximately 85% of his business time to our business.

We entered into an amended and restated engagement agreement, retroactive to January 1, 2005, as adjusted, with Robert E. Peterson which provides for Mr. Peterson's engagement as our Chief Financial Officer until December 31, 2010 unless sooner terminated for cause or disability. Mr. Peterson has the right to terminate the agreement on 30 days' prior written notice. The annual fee for services is subject to increases based on the average increase in the cost of inflation index for the prior year. Mr. Peterson shall receive an annual bonus in each year that our Chief Executive Officer is granted a bonus. The bonus shall equal a percentage of Mr. Peterson's base annual compensation comparable to the percentage bonus received by the Chief Executive Officer. In addition, Mr. Peterson shall receive bonus compensation upon Federal Drug Administration approval of commercial application of Ampligen®. Mr. Peterson's agreement also provides that he be paid all fees through the last day of then current term of the agreement if he is terminated without "cause" as that term is defined in the agreement. In addition, should Mr. Peterson terminate the agreement or the agreement be terminated due to his death or disability, the agreement provides that Mr. Peterson be paid the fees due him through the last day of the month in which the termination occurred and for an additional twelve month period. Mr. Peterson will devote approximately 85% of his business time to our business.





On November 27, 2006, we engaged Anthony A. Bonelli to serve as our full time President and Chief Operating Officer. Pursuant to this agreement, the President and Chief Operating Officer is employed for an initial term of two years. The employment automatically renews thereafter for successive one year periods unless either party gives written notice not to renew within 90 days of the termination date.

The President and Chief Operating Officer receives an annual salary at the rate of \$350,000 per year through December 31, 2007 and, thereafter, at the annual rate of \$400,000. His salary is subject to cost of living increases. He is entitled to annual bonuses in the discretion of our Chairman and Board of Directors. A \$50,000 cash bonus and 100,000 options was given upon the execution of the employment agreement and a minimum cash bonus for the year ended December 31, 2007 will be \$75,000. He was entitled to an additional 50,000 options upon his successful completion of three months of employment and an aggregate of up to an additional 950,000 options upon the happening of specific business milestones. The 50,000 options are in the process of being issued. We have the right, at its discretion, to modify the time periods within which the milestones must be met. Each option vests upon award, expires in ten years and has an exercise price equal to 110% of the closing price of our common stock on the American Stock Exchange on the date of the award. Upon the happening of certain events, such as our merger with and in to another entity or our sale or transfer of assets or earning power aggregating 50% or more of our assets or earning capacity, provided he is still employed by us, any of the foregoing options not granted to him will be granted. He is also entitled to receive fringe benefits generally available to our executive officers and we have agreed, during his employment period, to pay premiums on a term life insurance policy in the face amount of \$1,500,000 with a beneficiary of his choosing.

The employment agreement terminates upon his death or disability and is terminable by us for "cause" as defined in the agreement, or without cause. He has the right to terminate the agreement upon not less than 60 day's prior notice. In the event that the agreement terminates due to his death or disability, or by him, he will be entitled to fees due and payable through the last day of the month in which the termination occurs. If it is terminated by us for cause, he will be entitled to fees due and payable to him through the date of termination. If we terminate the agreement without cause, he is entitled to fees depending upon the amount of time he has been employed by us ranging from 12 months' of fees if he is terminated within the first 12 months of employment to three months' of fees if he is terminated in the 21st month of employment. He is subject to confidentiality and non-compete covenants.

On March 11, 2005 the Board of Directors, deeming it essential to the best interests of our shareholders to foster the continuous engagement of key management personnel and recognizing that, as is the case with many publicly held corporations, a change of control might occur and that such possibility, and the uncertainty and questions which it might raise among management, might result in the departure or distraction of management personnel to the detriment of us and our shareholders, determined to reinforce and encourage the continued attention and dedication of members of our management to their engagement without distraction in the face of potentially disturbing circumstances arising from the possibility of a change in control of the Company and entered into identical agreements regarding change in control with William A. Carter, our Chief Executive Officer and Chief Scientific Officer, Robert E. Peterson, our Chief Financial Officer and Ransom W. Etheridge, our General Counsel. Each of the agreements regarding change in control became effective March 11, 2005 and continue through December 31, 2007 and shall extend automatically to the third anniversary thereof unless we give notice to the other party prior to the date of such extension that the agreement term will not be extended. Notwithstanding the foregoing, if a change in control occurs during the term of the agreements, the term of the agreements will continue through the second anniversary of the date on which the change in control occurred. Each of the agreements entitles William A. Carter, Robert E. Peterson and Ransom W. Etheridge, respectively, to change of control benefits, as defined in the agreements and summarized below, upon their respective termination of employment/engagement with us during a potential change in control, as defined in the agreements or after a change in control, as defined in the agreements, when their respective terminations are caused (1) by us for any reason other than permanent disability or cause, as defined in the agreement (2) by William A. Carter, Robert E. Peterson and/or Ransom W. Etheridge, respectively, for good reason as defined in the agreement or, (3) by William A. Carter, Robert E. Peterson and/or Ransom W. Etheridge, respectively for any reason during the 30 day period commencing on the first date which is six months after the date of the change in control.

The benefits for each of the foregoing executives would be as follows:

- A lump sum cash payment of three times his base salary and annual bonus amounts; and
- Outplacement benefits.

Each agreement also provides that the executive is entitled to a “gross-up” payment to make him whole for any federal excise tax imposed on change of control or severance payments received by him.

Dr. Carter’s agreement also provides for the following benefits:

- Continued insurance coverage through the third anniversary of his termination; and
- Retirement benefits computed as if he had continued to work for the above period.

In order to facilitate our need to obtain financing and prior to our shareholders approving an amendment to our corporate charter to merge the number of authorized shares, Dr. Carter, our Chief Executive Officer, agreed to waive his right to exercise certain warrants and options unless and until our shareholder approved an increase in our authorized shares of Common Stock.

In October 2003, in recognition of this action as well as Dr. Carter's prior and on-going efforts relating to product development securing critically needed financing and the acquisition of a new product line, the Compensation Committee determined that Dr. Carter be awarded bonus compensation in 2003 consisting of \$196,636 and a grant of 1,450,000 stock warrants for a value of \$1,769,000 with an exercise price of \$2.20 per share. These warrants vested upon the second ISI Asset closing during the first quarter 2004 and we recorded stock compensation of \$1,769,000.

We engaged the Sage Group, Inc., a health care, technology oriented, strategy and transaction advisory firm, to assist us in obtaining a strategic alliance in Japan for the use of Ampligen® in treating Chronic Fatigue Syndrome or CFS. R. Douglas Hulse, our former President and Chief Operating Officer, is a member and an executive director of The Sage Group, Inc.

#### **401(K) Plan**

In December 1995, we established a defined contribution plan, effective January 1, 1995, entitled the Hemispherx Biopharma employees 401(K) Plan and Trust Agreement. All of our full time employees are eligible to participate in the 401(K) plan following one year of employment. Subject to certain limitations imposed by federal tax laws, participants are eligible to contribute up to 15% of their salary (including bonuses and/or commissions) per annum. Participants' contributions to the 401(K) plan may be matched by Hemispherx at a rate determined annually by the board of directors. Each participant immediately vests in his or her deferred salary contributions, while our contributions will vest over one year. See Note 11 to the consolidated financial statements contained herein.

#### **Severance**

Upon termination of employment, most executive officers are entitled to receive severance payments under their employment and/or engagement agreements. In determining whether to approve and setting the terms of such severance arrangements, the compensation committee recognizes that executives, especially highly ranked executives, often face challenges securing new employment following termination. The employment agreement with our CEO, which expires on December 31, 2010, provides that we pay him an annual salary through the terms of the agreement if terminated without cause. The engagement agreement with our CFO, which expires on December 31, 2010, provides that we pay him one year's salary. The employment agreement of our COO, which expires in November 2008, provides that he is entitled to severance pay up to 12 months depending on the time employed, if terminated without cause.

We believe that our Executive Officer's severance packages are generally in line with severance packages offered to chief executive officers of the companies of similar size to us represented in the compensation data we reviewed.

#### **Compensation of Directors**

On the recommendation of the compensation committee based upon an independent survey of Directors' compensation obtained by the committee, the compensation package for non-employee members of the Board of Directors was, on November 2006, changed, retroactively to January 1, 2006. Board member compensation consists of an annual retainer of \$150,000 to be paid two thirds in cash and one third in our common stock. On September 9, 2003, the Directors approved a 10 year plan which authorizes up to 1,000,000 shares for use in supporting this compensation plan. The number of shares paid shall have a value of \$12,500 with the value of the shares being determined by the closing price of our common stock on the American Stock Exchange on the last day of the calendar quarter. All directors have been granted options to purchase common stock under our Stock Option Plans and/or Warrants to purchase common stock. We believe such compensation and payments are necessary in order for us to attract and retain qualified outside directors.

#### **Conclusion**

Our compensation policies are designed to retain and motivate our senior executive officers and to ultimately reward them for outstanding individual and corporate performance.

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## Summary Compensation Table - 2006

Name and Principal Position	Salary	Bonus	Stock Award	Option Award (1)	Non-Equity Incentive Plan Compensation	Change in Pension Value and Deferred Compensation	All Other Compensation	Total
W. A. Carter, CEO	\$ 655,686	\$ 166,624	-	\$ 1,236,367	-	-	\$ 118,087	\$ 2,186,764
A. Bonelli, COO	35,000(4)	50,000	-	122,601	-	-	3,000(2)	210,601
R. E. Peterson, CFO	259,164	64,791	-	373,043	-	-	-	696,998
D. Strayer, Medical Director	225,144	-	-	19,200	-	-	-	244,344
M. J. Liao, Director - QC	158,381	-	-	9,600	-	-	18,246 <sup>(3)</sup>	186,406
C. Smith, Director - PD	143,136	-	-	9,600	-	-	17,227 <sup>(3)</sup>	169,963
R. Hansen, VP of Manufact.	140,311	-	-	9,600	-	-	17,006 <sup>(3)</sup>	166,917
R. D. Hulse (5)	105,000	-	-	-	-	-	-	105,000

## Notes:

(1) Based on Black Scholes Pricing Model of valuing options. Total Fair Value of Option Awards granted in 2006 was \$1,780,011. These amounts shown in the Option Awards column represent the approximate amount we recognized for financial statement reporting purposes in fiscal year 2006 for the fair value of equity awards granted to the named executive officers in fiscal year 2006, in accordance with SFAS No. 123(R), excluding the impact of estimated forfeiture related to service based vesting conditions as required by SEC rules. As a result, these amounts do not reflect the amount of compensation actually received by the named executive officer during the fiscal year. For a description of the assumptions used in calculating the fair value of equity awards under SFAS No. 123(R), see Note 2(n) of our financial statement in our Form 10-K for the year ended December 31, 2006.

(2) Consists of Healthcare premiums, life insurance premiums, 401-K matching funds, qualifying insurance premium, company car and parking cost.

(3) Consists of healthcare premiums and 401-K matching funds.

(4) Mr. Bonelli joined the Company on November 27, 2006. His annual salary is \$350,000.

## 2006 Stock Option Grants to Executive Officers

The following table provides additional information about option awards granted to our Named Executive Officers during the year ended December 31, 2006. The compensation plan under which the grants in the following tables were made are described in the Compensation Discussion and Analysis section headed “Long-Term Equity Incentive Awards”.

Name	Grant Date	No. of Options	Exercise Price per Share	Expiration Date	Closing Price on Grant	Grant Date Fair Value of Option <sup>(5)</sup>
W. A. Carter	1-1-06	300,000 <sup>(1)</sup>	\$ 2.38	1/1/16	2.17 <sup>(2)</sup>	395,798
	2-22-06	376,650 <sup>(1)</sup>	3.78	2/22/16	3.44	840,569
A. Bonelli	11-27-06	100,000	2.11	11/26/16	1.92	122,601
R.E. Peterson	2-28-06	50,000 <sup>(1)</sup>	3.85	2/28/16	3.33	106,584
	4-14-06	100,000 <sup>(1)</sup>	3.48	4/14/16	3.16 <sup>(3)</sup>	203,899
	4-30-06	30,000 <sup>(1)</sup>	3.55	4/30/16	3.23 <sup>(4)</sup>	62,560
D. Strayer	11-20-06	15,000	2.20	11/20/16	2.00	19,200
M J. Liao	11-20-06	7,500	2.20	11/20/16	2.00	9,600
Carol Smith	11-20-06	7,500	2.20	11/20/16	2.00	9,600
R. Hansen	11-20-06	7,500	2.20	11/20/16	2.00	9,600

Notes: (1) Renewal of Expiring Options

(2) Closing Price on 12/30/05

(3) Closing Price on 4/13/06

(4) Closing Price on 4/28/06

(5) These amounts shown represent the approximate amount we recognized for financial statement reporting purposes in fiscal year 2006 for the fair value of equity awards granted to the named executive officers in fiscal year 2006, in accordance with SFAS No. 123(R), excluding the impact of estimated forfeiture related to service based vesting conditions as required by SEC rules. As a result, these amounts do not reflect the amount of compensation actually received by the named executive officer during the fiscal year. For a description of the assumptions used in calculating the fair value of equity awards under SFAS No. 123(R), see Note 2(n) of our financial statement in our Form 10-K for the year ended December 31, 2006.

## Outstanding Equity Awards at Year End - 2006

Name	Option/Warrants Awards				Stock Awards		Equity Incentive Plan Awards:		
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards Number of Securities Underlying Unexercised Options (#)	Option Exercise Price	Option Expiration Date	Number of Shares or Units That Have Not Vested	Value of Shares or Units That Have Not Vested	Number of Shares or Units That Have Not Vested	Value of Unearned Shares, Units or Rights That Have Not Vested
W.A. Carter, CEO	1,450,000	0	0	\$ 2.20	9/8/08	-	-	-	-
	1,000,000	0	0	2.00	8/13/07	-	-	-	-
	190,000	0	0	4.00	1/1/08	-	-	-	-
	73,728	0	0	2.71	12/31/10	-	-	-	-
	10,000	0	0	4.03	1/3/11	-	-	-	-
	167,000	0	0	2.60	9/7/14	-	-	-	-
	153,000	0	0	2.60	12/7/14	-	-	-	-
	100,000	0	0	1.75	4/26/15	-	-	-	-
	465,000	0	0	1.86	7/16/11	-	-	-	-
	70,000	0	0	2.87	12/9/15	-	-	-	-
	300,000	0	0	2.38	1/3/16	-	-	-	-
	6,667	3,333	0	2.61	12/9/15	-	-	-	-
	376,650	0	0	3.78	2/22/16	-	-	-	-
	1,400,000	0	0	2.50	9/30/07	-	-	-	-
A. Bonelli, COO	100,000	0	0	2.11	11/26/16	-	-	-	-
R. Douglas Hulse	10,000	0	0	2.46	12/8/10	-	-	-	-
	250,000	0	0	1.55	2/14/15	-	-	-	-
R. Peterson, CFO	200,000	0	0	2.00	8/13/07	-	-	-	-
	50,000	0	0	3.44	6/22/14	-	-	-	-



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	13,824	0	0	2.60	9/7/14	-	-	-	-
	55,000	0	0	1.75	4/26/15	-	-	-	-
	6,667	3,333	0	2.61	12/8/15	-	-	-	-
	50,000	0	0	3.85	2/20/16	-	-	-	-
	100,000	0	0	3.48	4/14/16	-	-	-	-
	30,000	0	0	3.55	4/28/16	-	-	-	-
	13,750	0	0	2.35	1/22/17	-	-	-	-
	10,000	0	0	4.03	1/3/11	-	-	-	-
D. Strayer, Medical Director	50,000	0	0	2.00	8/13/07	-	-	-	-
	50,000	0	0	4.00	2/28/08	-	-	-	-
	10,000	0	0	4.03	1/3/11	-	-	-	-
	20,000	0	0	3.50	2/23/07	-	-	-	-
	10,000	0	0	1.90	12/14/14	-	-	-	-
	6,667	3,333	0	2.61	12/8/15	-	-	-	-
	5,000	10,000	0	2.20	11/20/16	-	-	-	-
C. Smith, Director of Process Development	20,000	0	0	2.00	8/13/07	-	-	-	-
	5,000	0	0	4.00	6/7/08	-	-	-	-
	10,000	0	0	4.03	1/3/11	-	-	-	-
	6,667	3,333	0	2.61	12/8/15	-	-	-	-
	6,791	0	0	3.50	1/22/07	-	-	-	-
	6,667	3,333	0	1.90	12/7/14	-	-	-	-
	2,500	5,000	0	2.20	11/20/16	-	-	-	-
M.J. Liao, Director of QA	10,000	0	0	1.90	12/7/14	-	-	-	-
	6,667	3,333	0	2.61	12/8/15	-	-	-	-
	2,500	5,000	0	2.20	11/20/16	-	-	-	-
R. Hansen, VP of Manufact.	10,000	0	0	1.90	12/7/14	-	-	-	-
	6,667	3,333	0	2.61	12/8/15	-	-	-	-
	2,500	5,000	0	2.20	11/20/16	-	-	-	-

**Options Exercised / Stock Vested - 2006**

Name (a)	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#) (b)	Value Realized on Exercise (\$) (c)	Number of Shares Acquired on Vesting (#) (d)	Value of Realized on Vesting (\$) (e)
W.A. Carter, CEO	none			
A. Bonelli, COO	none			
R. Peterson, CFO	none			
D. Strayer, Medical Director	none			
C. Smith, Director	none			
M.J. Liao, Director	none			
R. Hansen, VP	none			

**Compensation Committee Interlocks and Insider Participation**

Our Compensation Committee of the Board of Directors, consisting of Richard Piani, the Committee Chairman, William Mitchell, M.D. and Dr. Iraj E. Kiani, are all independent directors. There are no interlocking relationships.

**COMPENSATION COMMITTEE REPORT**

Our Committee has reviewed and discussed the Compensation Discussion and Analysis contained in this Annual Report with management. Based on our Committee's review of and the discussions with management with respect to the Compensation Discussion and Analysis, our Committee recommended to the board of directors that the Compensation Discussion and Analysis be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006 for filing with the SEC.

COMPENSATION COMMITTEE  
Richard Piani, Committee Chairman  
William Mitchell, M.D.  
Dr. Iraj E. Kiani

The foregoing Compensation Committee report shall not be deemed incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, and shall not otherwise be deemed filed under these acts, except to the extent we incorporate by reference into such filings.

**Director Compensation - 2006**

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$) (2)	Change in Pension Value and Non-Equity Incentive Plan Compensation			All Other Compensation (\$)	Total (\$)
				Nonqualified Deferred Compensation Earnings				
R. Etheridge, Director, General Counsel	100,000	50,000	113,978	0	0	159,360(1)	423,338	
W. Mitchell, Director	100,000	50,000	113,978	0	0	0	263,798	
R. Piani, Director	100,000	50,000	113,978	0	0	0	263,798	
S. Spence, Director	100,000	50,000	113,978	0	0	0	263,798	
I. Kiani, Director	100,000	50,000	113,978	0	0	0	263,798	

(1) Includes \$99,360 as Corporate General Counsel and \$60,000 as the value of a loan that was forgiven in lieu of a bonus in 2006.

(2) These amounts shown represent the approximate amount we recognized for financial statement reporting purposes in fiscal year 2006 for the fair value of equity awards granted to the named executive officers in fiscal year 2006, in accordance with SFAS No. 123(R), excluding the impact of estimated forfeiture related to service based vesting conditions as required by SEC rules. As a result, these amounts do not reflect the amount of compensation actually received by the named executive officer during the fiscal year. For a description of the assumptions used in calculating the fair value of equity awards under SFAS No. 123(R), see Note 2(n) of our financial statement in our Form 10-K for the year ended December 31, 2006.

## PART IV

### ITEM 15. Exhibits and Financial Statement Schedules

- (a) Financial Statements and Schedules - See index to financial statements on page F-1 of this Annual Report.

All other schedules called for under regulation S-X are not submitted because they are not applicable or not required, or because the required information is included in the financial statements or notes thereto.

- (b) Exhibits - See exhibit index below.

Except as disclosed in the footnotes, the following exhibits were filed with the Securities and Exchange Commission as exhibits to our Form S-1 Registration Statement (No. 33-93314) or amendments thereto and are hereby incorporated by reference:

E x h i b i t	Description
No.	
2.1	First Asset Purchase Agreement dated March 11, 2003, by and between the Company and ISI.(1)
2.2	Second Asset Purchase Agreement dated March 11, 2003, by and between the Company and ISI.(1)
3.1	Amended and Restated Certificate of Incorporation of the Company, as amended, along with Certificates of Designations.
3.1.1	Series E Preferred Stock.
3.2	By-laws of Registrant, as amended.
4.1	Specimen certificate representing our Common Stock.
4.2	Rights Agreement, dated as of November 19, 2002, between the Company and Continental Stock Transfer & Trust Company. The Right Agreement includes the Form of Certificate of Designation, Preferences and Rights of the Series A Junior Participating Preferred Stock, the Form of Rights Certificate and the Summary of the Right to Purchase Preferred Stock.(2)
4.3	Form of 6% Convertible Debenture of the Company issued in March 2003.(1)
4.4	Form of Warrant for Common Stock of the Company issued in March 2003.(1)
4.5	Form of Warrant for Common Stock of the Company issued in June 2003.(3)

- 4.6 Form of 6% Convertible Debenture of the Company issued in July 2003.(4)
- 4.7 Form of Warrant for Common Stock of the Company issued in July 2003.(4)
- 4.8 Form of 6% Convertible Debenture of the Company issued in October 2003.(5)
- 4.9 Form of Warrant for Common Stock of the Company issued in October 2003.(5)
- 4.10 Form of 6% Convertible Debenture of the Company issued in January 2004.(6)
- 4.11 Form of Warrant for Common Stock of the Company issued in January 2004.(6)
- 4.12 Form of Warrant for Common Stock of the Company. (9)
- 4.13 Amendment Agreement, effective October 6, 2005, by and among the Company and debenture holders.(11)
- 4.14 Form of Series A amended 7% Convertible Debenture of the Company (amending Debenture due October 31, 2005).(11)

- 4.15 Form of Series B amended 7% Convertible Debenture of the Company (amending Debenture issued on January 26, 2004 and due January 31, 2006).(11)
- 4.16 Form of Series C amended 7% Convertible Debenture of the Company (amending Debenture issued on July 13, 2004 and due January 31, 2006).(11)
- 4.17 Form of Warrant issued effective October 6, 2005 for Common Stock of the Company.(11)
- 10.1 1990 Stock Option Plan.
- 10.2 1992 Stock Option Plan.
- 10.3 1993 Employee Stock Purchase Plan.
- 10.4 Form of Confidentiality, Invention and Non-Compete Agreement.
- 10.5 Form of Clinical Research Agreement.
- 10.6 Form of Collaboration Agreement.
- 10.7 Amended and Restated Employment Agreement by and between the Company and Dr. William A. Carter, dated as of July 1, 1993. (7)
- 10.8 Employment Agreement by and between the Registrant and Robert E. Peterson, dated April 1, 2001.
- 10.9 License Agreement by and between the Company and The Johns Hopkins University, dated December 31, 1980.
- 10.10 Technology Transfer, Patent License and Supply Agreement by and between the Company, Pharmacia LKB Biotechnology Inc., Pharmacia P-L Biochemicals Inc. and E.I. du Pont de Nemours and Company, dated November 24, 1987.
- 10.11 Pharmaceutical Use Agreement, by and between the Company and Temple University, dated August 3, 1988.
- 10.12 Assignment and Research Support Agreement by and between the Company, Hahnemann University and Dr. David Strayer, Dr. Isadore Brodsky and Dr. David Gillespie, dated June 30, 1989.
- 10.13 Lease Agreement between the Company and Red Gate Limited Partnership, dated November 1, 1989, relating to the Company's Rockville, Maryland facility.
- 10.14 Agreement between the Company and Bioclones (Proprietary) Limited.

- 10.15 Amendment, dated August 3, 1995, to Agreement between the Company and Bioclones (Proprietary) Limited (contained in Exhibit 10.14).
- 10.16 Licensing Agreement with Core BioTech Corp.
- 10.17 Licensing Agreement with BioPro Corp.
- 10.18 Licensing Agreement with BioAegean Corp.
- 10.19 Agreement with Esteve.
- 10.20 Agreement with Accredo (formerly Gentiva) Health Services.
- 10.21 Agreement with Biovail Corporation International.
- 10.22 Forbearance Agreement dated March 11, 2003, by and between ISI, the American National Red Cross and the Company.(1)
- 10.23 Forbearance Agreement dated March 11, 2003, by and between ISI, GP Strategies Corporation and the Company.(1)
- 10.24 Securities Purchase Agreement, dated March 12, 2003, by and among the Company and the Buyers named therein.(1)
- 10.25 Registration Rights Agreement, dated March 12, 2003, by and among the Company and the Buyers named therein.(1)
- 10.26 Securities Purchase Agreement, dated July 10, 2003, by and among the Company and the Buyers named therein.(4)
- 10.27 Registration Rights Agreement, dated July 10, 2003, by and among the Company and the Buyers named therein.(4)
- 10.28 Securities Purchase Agreement, dated October 29, 2003, by and among the Company and the Buyers named therein.(5)
- 10.29 Registration Rights Agreement, dated October 29, 2003, by and among the Company and the Buyers named therein.(5)

- 10.30 Securities Purchase Agreement, dated January 26, 2004, by and among the Company and the Buyers named therein.(6)
- 10.31 Registration Rights Agreement, dated January 26, 2004, by and among the Company and the Buyers named therein.(6)
- 10.32 Memorandum of Understanding with Fujisawa. (8)
- 10.33 Securities Purchase Agreement, dated July 30, 2004, by and among the Company and the Purchasers named therein.(9)
- 10.34 Registration Rights Agreement, dated July 30, 2004, by and among the Company and the Purchasers named therein. (9)
- 10.35 Agreement for services of R. Douglas Hulse, (12)
- 10.36 Amended and Restated Employment Agreement of Dr. William A. Carter. (10)
- 10.37 Engagement Agreement with Dr. William A. Carter. (10)
- 10.38 Amended and restated employment agreement of Dr. William A. Carter (12)
- 10.39 Amended and restated engagement agreement with Dr. William A. Carter (12)
- 10.40 Amended and restated engagement agreement with Robert E. Peterson (12)
- 10.41 Engagement Agreement with Ransom W. Etheridge (12)
- 10.42 Change in control agreement with Dr. William A. Carter (12)
- 10.43 Change in control agreement with Dr. William A. Carter (12)
- 10.44 Change in control agreement with Robert E. Peterson (12)
- 10.45 Change in control agreement with Ransom Etheridge (12)
- 10.46 Supply Agreement with Hollister-Stier Laboratories LLC
- 10.47 Manufacturing and Safety Agreement with Hyaluron, Inc.
- 10.48 Common Stock Purchase Agreement, dated July 8, 2005, by and among the Company and Fusion Capital.(13)
- 10.49 Registration Rights Agreement, dated July 8, 2005, by and among the Company and Fusion Capital.(13)



- 10.48 Common Stock Purchase Agreement, dated April 12, 2006, by and among the Company and Fusion Capital.(14)
- 10.49 Registration Rights Agreement, dated April 12, 2006, by and among the Company and Fusion Capital.(14)
- 10.50 Supply Agreement with Hollister-Stier Laboratories LLC. (15)
- 10.51 Manufacturing and Safety Agreement with Hyaluron, Inc. (15)
- 10.52 April 19, 2006 Amendment to Common Stock Purchase Agreement by and among the Company and Fusion Capital.(15)
- 10.53 July 21, 2006 Letter Amendment to Common Stock Purchase Agreement by and among the Company and Fusion Capital.(15)
- 10.54 Royalty Purchase Agreement with Stem Cell Innovations, Inc. (15)
- 21 Subsidiaries of the Registrant.
- 23.1 BDO Seidman, LLP consent (16)
- 23.2 McGladrey & Pullen, LLP consent (16)
- 31.1 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 from the Company's Chief Executive Officer.(17)
- 31.2 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 from the Company's Chief Financial Officer.(17)
- 32.1 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 from the Company's Chief Executive Officer.(17)
- 32.2 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 from the Company's Chief Financial Officer.(17)

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(1) Filed with the Securities and Exchange Commission as an exhibit to the Company's Current Report on Form 8-K (No. 1-13441) dated March 12, 2003 and is hereby incorporated by reference.

(2) Filed with the Securities and Exchange Commission on November 20, 2002 as an exhibit to the Company's Registration Statement on Form 8-A (No. 0-27072) and is hereby incorporated by reference.

(3) Filed with the Securities and Exchange Commission as an exhibit to the Company's Current Report on Form 8-K (No. 1-13441) dated June 27, 2003 and is hereby incorporated by reference.

(4) Filed with the Securities and Exchange Commission as an exhibit to the Company's Current Report on Form 8-K (No. 1-13441) dated July 14, 2003 and is hereby incorporated by reference.

(5) Filed with the Securities and Exchange Commission as an exhibit to the Company's Current Report on Form 8-K (No. 1-13441) dated October 30, 2003 and is hereby incorporated by reference.

(6) Filed with the Securities and Exchange Commission as an exhibit to the Company's Current Report on Form 8-K (No. 1-13441) dated January 27, 2004 and is hereby incorporated by reference.

(7) Filed with the Securities and Exchange Commission as an exhibit to the Company's quarterly report on Form 10-Q (No. 1-13441) for the period ended September 30, 2001 and is hereby incorporated by reference.

(8) Filed with the Securities and Exchange Commission as an exhibit to the Company's Form S-1 Registration Statement (No. 333-113796) and is hereby incorporated by reference.

(9) Filed with the Securities and Exchange Commission as an exhibit to the Company's Current Report on Form 8-K (No. 1-13441) dated August 6, 2004 and is hereby incorporated by reference.

(10) Filed with the Securities and Exchange Commission as an exhibit to the Company's Current Report on Form 8-K (No. 1-13441) dated September 15, 2004 and is hereby incorporated by reference.

(11) Filed with the Securities and Exchange Commission as an exhibit to the Company's Current Report on Form 8-K/A-1 (No. 1-13441) filed on October 28, 2005 and is hereby incorporated by reference.

(12) Filed with the Securities and Exchange Commission as an exhibit to the Company's annual report on Form 10-K (No. 1-13441) for the year ended December 31, 2004 and is hereby incorporated by reference.

(13) Filed with the Securities and Exchange Commission as an exhibit to the Company's Current Report on Form 8-K (No. 1-13441) dated September 15, 2005 and is hereby incorporated by reference.

(14) Filed with the Securities and Exchange Commission as an exhibit to the Company's Current Report on Form 8-K (No. 1-13441) dated April 12, 2006 and is hereby incorporated by reference.

(15) Filed with the Securities and Exchange Commission on July 31, 2006 as an exhibit to the Company's Form S-1 Registration Statement (No. 333-136187) and is hereby incorporated by reference.

(16) Filed with the Securities and Exchange Commission as an exhibit to the Company's annual report on Form 10-K (No. 1-13441) for the year ended December 31, 2006 and is hereby incorporated by reference.

(17) Filed herewith.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this amended report to be signed on its behalf by the undersigned, thereunto duly authorized.

HEMISPHERx BIOPHARMA, INC.

By: /s/ William A. Carter

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William A. Carter, M.D.  
Chief Executive Officer  
January 14, 2008

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange of 1934, as amended, this amended report has been signed below by the following persons on behalf of this Registrant and in the capacities and on the dates indicated.

/s/ William A. Carter

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William A. Carter, M.D.                      Chairman of the Board, Chief  
Executive Officer and Director                      January 14, 2008

/s/ Richard Piani

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Richard Piani                      Director                      January 15, 2008

/s/ Robert E. Peterson

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Robert E. Peterson                      Chief Financial Officer                      January 14, 2008

/s/ Ransom Etheridge

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Ransom Etheridge                      Secretary And Director                      January 15, 2008

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William Mitchell, M.D., Ph.D.

Director                      January \_\_, 2008

/s/ Iraj E. Kiani

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Iraj E. Kiani, Ph.D.                      Director                      January 14, 2008