J M SMUCKER Co
Form DEF 14A
July 01, 2016
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(RULE 14a-101)

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES

EXCHANGE ACT OF 1934 (AMENDMENT NO.)

Filed by the Registrant þ

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement
¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
þ Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to §240.14a-12

THE J. M. SMUCKER COMPANY
(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

þ No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

THE J. M. SMUCKER COMPANY

2016 Proxy Statement and

Notice of Annual Meeting of Shareholders

Annual Meeting

Wednesday, August 17, 2016

11:00 a.m., Eastern Time

Fisher Auditorium, Ohio Agricultural Research and Development Center

1680 Madison Avenue, Wooster, Ohio 44691

Table of Contents

July 1, 2016

Dear Shareholder:

It is our pleasure to invite you to attend The J. M. Smucker Company s Annual Meeting of Shareholders on Wednesday, August 17, 2016. The annual meeting will begin at 11:00 a.m., Eastern Time, in the Fisher Auditorium at the Ohio Agricultural Research and Development Center, 1680 Madison Avenue, Wooster, Ohio 44691.

Included with this letter is a Notice of the 2016 Annual Meeting of Shareholders and the proxy statement. Please review this material for information about the nominees named in the proxy statement for election as Directors and the Company s appointed independent registered public accounting firm. In addition, details regarding executive officer and Director compensation, corporate governance matters, and the business to be conducted at the annual meeting are also described.

Whether or not you plan to attend the annual meeting, please cast your vote, at your earliest convenience, as instructed in the Notice of Internet Availability of Proxy Materials or in the proxy card. **Your vote is very important.** Your vote before the annual meeting will ensure representation of your common shares at the annual meeting even if you are unable to attend.

We look forward to sharing more information with you about The J. M. Smucker Company and the value of your investment at the annual meeting.

Sincerely,

Timothy P. Smucker *Richard K. Smucker* *Mark T. Smucker*

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF

PROXY MATERIALS FOR THE ANNUAL MEETING OF

SHAREHOLDERS TO BE HELD ON AUGUST 17, 2016

This proxy statement and the 2016 Annual Report are available at www.proxyvote.com

Table of Contents

Notice of 2016 Annual Meeting of Shareholders

Wednesday, August 17, 2016

11:00 a.m., Eastern Time

Fisher Auditorium, Ohio Agricultural Research and Development Center

1680 Madison Avenue, Wooster, Ohio 44691

The Annual Meeting of Shareholders of The J. M. Smucker Company (the Company, we, us, or our) will be held for the following purposes:

1. To elect as Directors the eleven nominees named in the proxy statement and recommended by the Board of Directors whose term of office will expire in 2017;

2. To ratify the appointment of Ernst & Young LLP as the Company s Independent Registered Public Accounting Firm for the 2017 fiscal year;

3. To approve, on a non-binding, advisory basis, the Company s executive compensation as disclosed in these proxy materials;

4. To vote on the shareholder proposal contained in the proxy statement, if properly presented at the annual meeting; and

5. To consider and act upon any other matter that may properly come before the annual meeting.

Shareholders of record at the close of business on June 20, 2016 are entitled to vote at the annual meeting. You may cast your vote via the Internet, as instructed in the Notice of Internet Availability of Proxy Materials, or if you received your proxy materials by mail, you may also vote by mail or by telephone.

All shareholders are invited to attend the annual meeting.

Jeannette L. Knudsen

Senior Vice President, General Counsel and Secretary

Table of Contents

TABLE OF CONTENTS

Table of Contents

PROXY STATEMENT

FOR THE ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON AUGUST 17, 2016

PROXY SOLICITATION AND COSTS

We are furnishing this document to you in connection with the solicitation by our Board of Directors (the Board) of the enclosed form of proxy for our annual meeting to be held on August 17, 2016. In addition to solicitation by mail, we may solicit proxies in person, by telephone, facsimile, or e-mail. We will bear all costs of the proxy solicitation and have engaged a professional proxy solicitation firm, D.F. King & Co., Inc., to assist us in soliciting proxies. We will pay a fee of approximately $15,000, plus expenses, for such services.

We pay for the preparation and mailing of the Notice of 2016 Annual Meeting of Shareholders and proxy statement, and we have also made arrangements with brokerage firms and other custodians, nominees, and fiduciaries for the forwarding of this proxy statement and other annual meeting materials to the beneficial owners of our common shares at our expense. This proxy statement is dated July 1, 2016, and is first being mailed to our shareholders on or about July 1, 2016.

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING

Why did I receive these proxy materials?

You received these proxy materials because you are a shareholder of the Company. The Board is providing these proxy materials to you in connection with our annual meeting to be held on August 17, 2016. As a shareholder of the Company, you are entitled to vote on the important proposals described in this proxy statement. Since it is not practical for all shareholders to attend the annual meeting and vote in person, the Board is seeking your proxy to vote on these matters.

What is a proxy?

A proxy is your legal designation of another person (proxy) to vote the common shares you own at the annual meeting. By completing and returning the proxy card(s), which identifies the individuals or trustees authorized to act as your proxy, you are giving each of those individuals authority to vote your common shares as you have instructed. By voting via proxy, each shareholder is able to cast his or her vote without having to attend the annual meeting in person.

Why did I receive more than one proxy card?

You will receive multiple proxy cards if you hold your common shares in different ways (*e.g.,* trusts, custodial accounts, joint tenancy) or in multiple accounts. If your common shares are held by a broker or bank (*i.e.,* in street name), you will receive your proxy card and other voting information from your broker, bank, trust, or other nominee. It is important that you complete, sign, date, and return each proxy card you receive, or vote using the telephone, or by using the Internet (as described in the instructions included with your proxy card(s) or in the Notice of Internet Availability of Proxy Materials).

Why didn t I receive paper copies of the proxy materials?

As permitted by the Securities and Exchange Commission (the SEC), we are making this proxy statement and our annual report available to our shareholders electronically via the Internet. We believe this delivery method expedites your receipt of materials, while also lowering costs and reducing the environmental impact of our annual meeting. The notice of electronic availability contains instructions on how to access this proxy statement and our annual report and how to vote online.

Table of Contents

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING

If you received a Notice of Internet Availability of Proxy Materials by mail, you will not receive a printed copy of the proxy materials unless you request one in accordance with the instructions provided in the notice. The Notice of Internet Availability of Proxy Materials has been mailed to shareholders on or about July 1, 2016 and provides instructions on how you may access and review the proxy materials on the Internet.

What is the record date and what does it mean?

The Board has established June 20, 2016 as the record date for the annual meeting of shareholders to be held on August 17, 2016. Shareholders who own common shares of the Company at the close of business on the record date are entitled to notice of and to vote at the annual meeting.

What is the difference between a registered shareholder and a street name shareholder ?

These terms describe how your common shares are held. If your common shares are registered directly in your name with Computershare Investor Services, LLC (Computershare), our transfer agent, you are a registered shareholder. If your common shares are held in the name of a brokerage, bank, trust, or other nominee as a custodian, you are a street name shareholder.

How many common shares are entitled to vote at the annual meeting?

As of the record date, there were 116,426,335 common shares outstanding and entitled to vote at the annual meeting.

How many votes must be present to hold the annual meeting?

A majority of the Company s outstanding common shares as of the record date must be present in order for us to hold the annual meeting. This is called a quorum. Broker non-votes and abstentions are counted as present for purposes of determining whether a quorum exists. A broker non-vote occurs when a nominee, such as a bank or broker holding shares for a beneficial owner, does not vote on a particular proposal because the nominee does not have discretionary voting power for the particular item and has not received instructions from the beneficial owner. Proposal 2 is the only routine matter on this year s ballot that may be voted on by brokers.

Who will count the votes?

A representative from Broadridge Financial Solutions, Inc. (Broadridge), or its designee, will determine if a quorum is present, tabulate the votes, and serve as our inspector of election at the annual meeting.

What vote is required to approve each proposal?

Under our Amended Articles of Incorporation (the Articles), shareholders may be entitled, on certain matters, to cast ten votes per share with regard to certain common shares and only one vote per share with regard to others. The total voting power of all of the common shares can be determined only at the time of a shareholder meeting due to the need to obtain certifications as to beneficial ownership of common shares not held as of record in the name of individuals. There are no proposals on this year s ballot for which the ten-votes- per-share provisions apply.

Abstentions, broker non-votes, and shares not in attendance and not voted at the annual meeting will not be counted as votes cast for or against a candidate and will have no effect with regard to the election of Directors in Proposal 1 (See Corporate Governance Director Resignation Policy). In addition, abstentions, broker non- votes, and shares not in attendance and not voted at the annual meeting will not be counted as votes cast for or against Proposals 2, 3, or 4 and, therefore, will have no effect on the vote for those proposals.

Proposal 1: Because this is an uncontested election, a candidate will be elected as a Director only if the votes cast for the candidate exceed the votes cast against the candidate, based, upon one vote for each common share owned as of the record date. A plurality voting standard would be used if this were a contested election. Under the plurality voting standard, the candidates receiving the most for votes would be elected.

Table of Contents

Under our Director resignation policy, in an uncontested election, any nominee for Director who receives a greater number of against votes than for votes is required to tender his or her resignation for consideration by the Nominating and Corporate Governance Committee of the Board (the Nominating Committee). We have provided more information about our Director resignation policy under the heading Corporate Governance Director Resignation Policy.

Proposal 2: The affirmative vote of the holders of a majority of the votes cast on this proposal, based upon one vote for each common share owned as of the record date, is necessary to ratify the appointment of the Independent Registered Public Accounting Firm (the Independent Auditors).

Proposal 3: The affirmative vote of the holders of a majority of the votes cast on this proposal, based upon one vote for each common share owned as of the record date, is necessary to approve, on an advisory basis, the Company s executive compensation. This vote is advisory and not binding on the Company, the Board, or the Executive Compensation Committee of the Board (the Compensation Committee) in any way. To the extent there is any significant vote against the executive compensation as disclosed in this proxy statement, the Board and the Compensation Committee will evaluate what actions, if any, may be necessary to address the concerns of shareholders. Under the Articles, shareholders are entitled to cast ten votes per share on any matter relating to any stock option plan, stock purchase plan, executive compensation plan, executive benefit plan, or other similar plan, arrangement, or agreement. Because the vote on this proposal is a non-binding, advisory vote, we have determined that such ten-votes-per-share provisions will not apply to this proposal.

Proposal 4: The affirmative vote of the holders of a majority of the votes cast on this proposal, based upon one vote for each common share owned as of the record date, is necessary to approve the shareholder proposal requesting that the Company issue a report by January 2017 analyzing and proposing how the Company can increase its renewable energy sourcing and/or production.

Where will I be able to find voting results of the annual meeting?

We will announce preliminary voting results at the annual meeting. We will also publish final voting results in a Current Report on Form 8-K to be filed with the SEC within four business days after the annual meeting.

How do I vote my common shares?

If you are a **registered shareholder and you received your proxy materials by mail,** you can vote your shares in one of the following manners:

- by attending the annual meeting and voting;
- by completing, signing, dating, and returning the enclosed proxy card(s);
- by telephone, by calling 1-800-690-6903; or
- by using the Internet and accessing www.proxyvote.com.

Please refer to the specific instructions set forth on the proxy card(s) that you received.

If you are a **registered shareholder and you received a Notice of Internet Availability of Proxy Materials,** you can vote your shares in one of the following manners:

by attending the annual meeting and voting;

by using the Internet and accessing www.proxyvote.com; or

by mail if you request a paper copy of the materials by calling 1-800-579-1639.

Please refer to the specific instructions set forth in the Notice of Internet Availability of Proxy Materials.

If you are a **street name shareholder,** your broker, bank, trustee, or other nominee will provide you with materials and instructions for voting your common shares. If you wish to vote in person at the annual meeting, you must contact your broker and request a document called a legal proxy. You must bring this legal proxy obtained from your broker, bank, trust, or other nominee to the annual meeting in order to vote in person.

Table of Contents

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING

Can I change my vote after I have mailed in my proxy card(s) or submitted my vote using the Internet or telephone?

Yes, if you are a **registered shareholder and you received your proxy materials by mail,** you can change your vote in any one of the following ways:

- sending a written notice to our Corporate Secretary that is received prior to the annual meeting and stating that you revoke your proxy;
- signing, dating, and submitting a new proxy card(s) to Broadridge so that it is received prior to the annual meeting;
- voting by telephone or by using the Internet prior to the annual meeting in accordance with the instructions provided with the proxy card(s); or
- attending the annual meeting and voting in person.

Yes, if you are a **registered shareholder and you received a Notice of Internet Availability of Proxy Materials,** you can change your vote in any one of the following ways:

- sending a written notice to our Corporate Secretary that is received prior to the annual meeting and stating that you revoke your proxy;
- voting by using the Internet prior to the annual meeting, in accordance with the instructions provided in the Notice of Internet Availability of Proxy Materials;
- attending the annual meeting and voting in person; or
- requesting a paper copy of the materials by calling 1-800-579-1639, and then signing and dating the proxy card(s) and submitting the proxy card(s) to Broadridge so that it is received prior to the annual meeting.

Your mere presence at the annual meeting will not revoke your proxy. You must vote in person at the annual meeting in order to revoke your proxy.

If you are a **street name shareholder,** you must contact your broker, bank, trust, or other nominee in order to revoke your proxy.

How will my proxy be voted?

If you complete, sign, date, and return your proxy card(s) or vote by telephone or by using the Internet, your proxy will be voted in accordance with your instructions. If you sign and date your proxy card(s) but do not indicate how you want to vote, your common shares will be voted for each of the proposals as the Board recommends.

What if my common shares are held in street name by my broker?

You should instruct your broker how you would like to vote your shares by using the written instruction form and envelope provided by your broker. If you do not provide your broker with instructions, under the rules of the New York Stock Exchange (NYSE), your broker may, but is not required to, vote your common shares with respect to certain routine matters. However, on other matters, when the broker has not received voting instructions from its customers, the broker cannot vote the shares on the matter and a broker non-vote occurs. Proposal 2 is the only routine matter on this year s ballot to be voted on by our shareholders. **Proposals 1, 3, and 4 are not considered routine matters under the NYSE rules. This means that brokers may not vote your common shares on such proposals if you have not given your broker specific instructions as to how to vote. Please be sure to give specific voting instructions to your broker so that your vote can be counted.** If you hold your common shares in your broker s name and wish to vote in person at the annual meeting, you must contact your broker and request a document called a legal proxy. You must bring this legal proxy to the annual meeting in order to vote in person.

Table of Contents

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING

What are the Board s recommendations on how I should vote my common shares?

The Board recommends that you vote your common shares as follows:

Proposal	Proposal Summary	FOR	AGAINST
Proposal 1	Election of the Board nominees named in this proxy statement with terms expiring at the 2017 annual meeting of shareholders	ü	
Proposal 2	Ratification of appointment of Ernst & Young LLP as the Company s Independent Registered Public Accounting Firm for the 2017 fiscal year	ü	
Proposal 3	Advisory approval of the Company s executive compensation	ü	
Proposal 4	Shareholder proposal requesting that the Company issue a renewable energy sourcing and/or production report by January 2017		ü

Does the Company have cumulative voting?

No. In 2009, the shareholders of the Company amended the Articles to eliminate cumulative voting.

Who may attend the annual meeting?

All shareholders are eligible to attend the annual meeting. However, only those shareholders of record at the close of business on June 20, 2016 are entitled to vote at the annual meeting.

Do I need an admission ticket to attend the annual meeting?

Admission tickets are not required to attend the annual meeting. If you are a registered shareholder, properly mark your proxy to indicate that you will be attending the annual meeting. If you hold your common shares through a nominee or you are a street name shareholder, you are required to bring evidence of share ownership to the annual meeting (*e.g.,* account statement, broker verification).

What type of accommodations can the Company make at the annual meeting for people with disabilities?

We can provide reasonable assistance to help you participate in the annual meeting if you notify the Corporate Secretary at The J. M. Smucker Company, One Strawberry Lane, Orrville, Ohio 44667, at least two weeks prior to the annual meeting about your disability and how you plan to attend.

Who can answer my questions?

If you need additional copies of the proxy materials, you should contact:

Broadridge Financial Solutions, Inc.

51 Mercedes Way

Edgewood, New York 11717

Call Toll Free: 1-866-602-0762

If you have any questions about the proxy materials or the annual meeting, or need assistance in voting your common shares, you should contact:

D.F. King & Co., Inc.

48 Wall Street

New York, New York 10005

Call Toll Free: 1-877-536-1562

or

Call Collect: 212-269-5550

Table of Contents

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING

If you have any questions about the proxy materials or the annual meeting, you may also contact:

The J. M. Smucker Company

One Strawberry Lane

Orrville, Ohio 44667

Attention: Shareholder Services Department

Call Toll Free: 1-866-362-5369

or

Telephone: 330-684-3838

Table of Contents

CORPORATE GOVERNANCE

Corporate Governance Guidelines

Our Corporate Governance Guidelines (the Guidelines) are designed to formalize the Board s role and to confirm its independence from management and its role of aligning management and Board interests with the interests of shareholders. The Guidelines provide in pertinent part that:

- a majority of Directors will be independent, as set forth under the rules of the NYSE and the SEC, and as further set forth in the Guidelines;
- all members of the Nominating Committee, the Compensation Committee, and the Audit Committee (collectively, the Committees) will be independent, and there will be at least three members on each of the Committees;
- the independent Directors will meet in executive session on a regular basis in conjunction with regularly scheduled Board meetings (other than the meeting held on the day of the annual meeting), and such meetings will be chaired by the Chair of each of the Committees for each Committee executive session and by the Chair of each of the Committees on a rotating term of one year for each Board executive session;
- the Board and each of the Committees will conduct an annual self-evaluation;
- all non-employee Directors will own a minimum amount of the Company s common shares as established in our Stock Ownership Guidelines for Directors and Executive Officers, which currently require that non-employee Directors own common shares with a value of no less than five times the annual cash retainer paid to each non-employee Director and that each non-employee Director should strive to attain this ownership threshold within five years of joining the Board;
- each Director will attend at least 75% of all regular and special Board meetings;
- absent specific action by the Directors, non-employee Directors will not be eligible for nomination after attaining age 72;
- the Directors will advise the Executive Chairman whenever they accept an invitation to serve on another public company board;
- each Director will not serve concurrently on more than three public company boards, including the Company, without prior, unanimous consent of the Board; and
- the Corporate Secretary will provide all new Directors with materials and training in our Director orientation program and will also provide such additional Director training and orientation as appropriate.

The Guidelines are posted on our website at www.jmsmucker.com. A copy of the Guidelines is available free of charge to any shareholder who submits a written request to the Corporate Secretary, The J. M. Smucker Company, One Strawberry Lane, Orrville, Ohio 44667.

Shareholder Recommendations for Director Nominees

The Nominating Committee is responsible for identifying, evaluating, and recommending qualified candidates to the Board for nomination. The Nominating Committee considers all suggestions for membership on the Board, including nominations made by our shareholders. Shareholders nominations for Directors must be made in writing and must include the nominee s written consent to the nomination and detailed background information sufficient for the Nominating Committee to evaluate the nominee s qualifications. Nominations should be submitted to the Corporate Secretary, The J. M. Smucker Company, One Strawberry Lane, Orrville, Ohio 44667. The Corporate Secretary will then forward nominations to the Chair of the Nominating Committee. All recommendations must include qualifications that meet, at a minimum, the following criteria:

candidates must be committed to our culture and Basic Beliefs of Quality, People, Ethics, Growth, and Independence, and will possess integrity, intelligence, and strength of character having a balance of skills, knowledge, diversity, background, and experience beneficial to the Company;

Table of Contents

CORPORATE GOVERNANCE

non-employee Director candidates must meet the independence requirements set forth below under the heading Director Independence;

non-employee Director candidates must be able to effectively carry out responsibilities of oversight of our strategy;

candidates should have either significant experience in a senior executive role with a major business organization or relevant experience from other professional backgrounds, together with knowledge of corporate governance issues and a commitment to attend and participate in Board meetings and related Board activities; and

candidates should not have any affiliations or relationships which could lead to a real or perceived conflict of interest.

Board Diversity

The Nominating Committee and the Board consider a diverse group of experiences, characteristics, attributes, and skills, including diversity in gender, ethnicity, race, cultural background, and age, in determining whether an individual is qualified to serve as a Director of the Company. While the Board does not maintain a formal policy regarding diversity, it does consider the diversity of the Board when evaluating Director nominees. Diversity is important because a variety of viewpoints contribute to a more effective decision- making process. The Nominating Committee and the Board also consider the composition of the Board as a whole in evaluating whether a particular individual should serve on the Board, as the Board seeks to comprise itself of members who, collectively, possess a range of relevant skills, experience, and expertise.

Experience, Qualifications, Attributes, Skills, and Diversity of Director Nominees

As mentioned above, in considering each Director nominee and the composition of the Board as a whole, the Nominating Committee looks for a diverse group of experiences, characteristics, attributes, and skills that relate directly to our management and operations. Success in specific categories is a key factor in our overall operational success and creating shareholder value. The Nominating Committee believes that Directors who possess some or all of the following experiences, characteristics, attributes, and skills are better able to provide oversight of our management and long-term and strategic objectives.

Adherence to the Company s Basic Beliefs

We seek Directors who have an understanding of, and are committed to, our Basic Beliefs of Quality, People, Ethics, Growth, and Independence. These Basic Beliefs are our values and principles that serve as guideposts for decisions at every level of the Company and cultivate a culture of commitment to each other and to our constituents. Further information regarding our Basic Beliefs can be found on our website at www.jmsmucker.com.

Table of Contents

Leadership and Operating Experience

We seek Directors who have significant leadership and operating experience. Strong leaders bring vision, strategic agility, diverse and global perspectives, and broad business insight to the Company. They also demonstrate a practical understanding of organizations, processes, strategy, risk management, and the methods to drive change and growth. People with experience in significant leadership positions possess strong abilities to motivate and manage others and to identify and develop leadership qualities in others.

Independence

We require that a majority of our Directors satisfy the independence requirements of the NYSE and the SEC.

Finance Experience

We believe that it is important for Directors to have an understanding of finance and financial reporting processes. Accurate financial reporting is critical to our success and reputation. We seek to have at least two independent Directors who qualify as audit committee financial experts, within the meaning of Regulation S-K promulgated by the SEC (Regulation S-K), particularly for service on the Audit Committee. We expect all of our Directors to be financially knowledgeable.

Public Company Board and Corporate Governance Experience

We seek Directors who have experience serving on the boards of other large, publicly traded companies. This experience prepares the Directors to fulfill the Board s responsibilities of overseeing our business and providing insight and guidance to management.

Operations Experience

We seek to have Directors with relevant general management or operations experience in the consumer goods industry. In particular, we believe that it is important for Directors to have experience in new and expanding businesses, customer segments, and geographies.

Knowledge of the Company

We deem it important to have Directors who have in-depth knowledge of the Company and our industry, operations, business segments, products, risks, strategy, and culture.

Minority; Diversity

We believe it is important to have a Board composition that is diverse in gender, ethnicity, race, cultural background, and age.

Marketing or Public Relations Experience

As a manufacturer and marketer of branded food products, we seek Directors who have a diverse range of marketing or public relations experience.

Mergers and Acquisitions Experience

We have been, and believe we will continue to be, active in acquiring other companies that fit our strategy and, therefore, seek to have Directors with relevant mergers and acquisitions experience.

Table of Contents

CORPORATE GOVERNANCE

The Board believes that all of the Directors are highly qualified and have specific employment and leadership experiences, qualifications, and skills that qualify them for service on the Board. The specific experiences, qualifications, and skills that the Board considered in determining that each such person should serve as a Director are included in their individual biographies and also summarized further in the following table:

Table of Contents

Director Resignation Policy

In connection with the adoption of a majority voting standard for uncontested elections of Directors, the Board adopted a Director resignation policy to address the situation in which one or more incumbent Directors fail to receive the required majority vote for re-election in an uncontested election. Under Ohio law, an incumbent Director who is not re-elected would remain in office as a holdover Director until his or her successor is elected. This Director resignation policy provides that an incumbent Director who is not re- elected with more for votes than against votes in an uncontested election will be expected to tender to the Board his or her resignation as a Director promptly following the certification of the election results. The Nominating Committee would then consider each tendered resignation and recommend to the Board whether to accept or reject each such tendered resignation. The Board would act on each tendered resignation, taking into account its fiduciary duties to the Company and our shareholders and the Nominating Committee s recommendation, within 90 days following the certification of the election results. The Nominating Committee, in making its recommendation, and the Board in making its decision, may consider any factors or other information with respect to any tendered resignation that they consider appropriate, including, without limitation:

- the stated reason for such Director s failure to receive the approval of a majority of votes cast;
- the percentage of votes cast against such Director; and
- the performance of such Director.

Following the Nominating Committee s recommendation and the Board s decision, the Board will promptly and publicly disclose its decision whether to accept or reject each tendered resignation and, if applicable, the reasons for rejecting a tendered resignation. If a Director s tendered resignation is rejected, he or she would continue to serve until his or her successor is elected, or until his or her earlier resignation, removal from office, or death. If a Director s tendered resignation is accepted, then the Board would have the sole discretion to fill any resulting vacancy or decrease the number of Directors, in each case pursuant to the provisions of and to the extent permitted by the Company s Amended Regulations (the Regulations). Any Director who tenders his or her resignation pursuant to this policy would abstain from providing input or voting on the Nominating Committee s recommendation or the Board s action regarding whether to accept or reject the tendered resignation. While this description reflects the terms of the Board s current Director resignation policy, the Board retains the power to amend and administer the policy as the Board, in its sole discretion, determines is appropriate. The Director resignation policy is posted on our website at www.jmsmucker.com and a copy will be provided free of charge to any shareholder submitting a written request to the Corporate Secretary, The J. M. Smucker Company, One Strawberry Lane, Orrville, Ohio 44667.

Director Independence

We require that a majority of our Directors be independent as defined by the rules of the NYSE and the SEC. We may, in the future, amend the Guidelines to establish such additional criteria as the Board determines to be appropriate. The Board makes a determination as to the independence of each Director on an annual basis. The Board has determined that all of the following eight non-employee Directors are independent Directors: Kathryn W. Dindo, Paul J. Dolan, Robert B. Heisler, Jr., Nancy Lopez Knight, Elizabeth Valk Long, Gary A. Oatey, Sandra Pianalto, and Alex Shumate. The Board has also determined that Jay L. Henderson, who has been nominated by the Board to stand for election at the 2016 annual meeting of shareholders, will be an independent Director.

In general, independent means that a Director has no material relationship with us or any of our subsidiaries. The existence of a material relationship is determined upon a review of all relevant facts and circumstances and, generally, is a relationship that might reasonably be expected to compromise the Director s ability to maintain his or her independence from our management.

The Board considers the issue of materiality from the standpoint of the persons or organizations with which the Director has an affiliation, as well as from the standpoint of the Director.

Table of Contents

CORPORATE GOVERNANCE

The following standards will be applied by the Board in determining whether individual Directors qualify as independent under the rules of the NYSE and the SEC. To the extent that these standards are more stringent than the rules of the NYSE or the SEC, such standards will apply. References to the Company include our consolidated subsidiaries.

No Director will be qualified as independent unless the Board affirmatively determines that the Director has no material relationship with us, either directly or as a partner, shareholder, or officer of an organization that has a relationship with us. We will disclose these affirmative determinations.

No Director who is a former employee of ours can be independent until three years after the end of his or her employment relationship with us.

No Director whose immediate family member is, or has been within the last three years, an executive officer of the Company can be independent.

No Director who received, or whose immediate family member has received, more than $120,000 in any twelve-month period is, disclosure of contingent
the reported amounts of expenses during the periods covered. A summary of accounting policies that have been applied to the historical financial stateme
statements.

We evaluate our estimates on an on-going basis. The most significant estimates relate to intangible assets, deferred financing and issuance costs, and t
historical company and industry experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of whi
of assets and liabilities that are not readily apparent from other sources. Our actual results may differ materially from those estimates.

The following is a brief discussion of our critical accounting policies and methods, and the judgments and estimates used by us in their application.

Share-Based Compensation. We account for equity instruments exchanged for services in accordance with Statement of Financial Accounting Standar
of SFAS No. 123R, share-based compensation issued to employees is measured at the grant date, based on the fair value of the award, and is recognized a
vesting period of the grant). Share-based compensation issued to non-employees is measured at grant date, based on the fair value of the consideration re
is more readily measurable, and is recognized as an expense over the requisite service period. Stock options in 2006 were calculated at the date of grant u
assumptions: risk-free interest rate of 5.07%; no dividend yield; expected volatility factor of 38.816%; and

Table of Contents

an expected term of five years. The fair value for the 10,000 immediately vesting stock options granted in 2007 was estimated model with the following assumptions; risk-free interest rate of 4.9%; no dividend yield; expected volatility factor of 16.9%; judgments used in the preparation of our financial statements are, by their nature, uncertain and unpredictable, and depend up control, such as the results of our operations and other economic conditions. Accordingly, our estimates and judgments may p perhaps significantly, from these estimates under different estimates, assumptions or conditions.

Other Long-Lived Assets. We account for our long-lived assets (excluding goodwill) in accordance with SFAS No. 144, for Long-lived Assets to be Disposed of, which requires that long-lived assets and certain intangible assets be reviewed for i circumstances indicate that the carrying amount may not be recoverable, such as technological changes or significantly increa flows are less than the carrying value of the assets, an impairment loss is to be recognized based on the fair value of the assets is inherent subjectivity and judgments involved in cash flow analyses such as estimating revenue and cost growth rates, residu have a significant impact on the amount of any impairment.

Other long-lived assets, such as identifiable intangible assets, are amortized over their estimated useful lives. These assets circumstances provide evidence that suggests that the carrying amount of the assets may not be recoverable, with impairment undiscounted cash flows. If impaired, the resulting charge reflects the excess of the assets carrying cost over its fair value. A involved in estimating future cash flows, which can have a significant impact on the amount of any impairment. Also, if mark (the key variable in assessing the impairment of these assets) may decrease and as a result we may be required to recognize in judgments used in the preparation of our financial statements are, by their nature, uncertain and unpredictable, and depend up control, such as the results of our operations and other economic conditions. Accordingly, our estimates and judgments may p perhaps significantly, from these estimates under different estimates, assumptions or conditions.

Capitalization of Interest Costs. We have capitalized interest costs, net of certain interest income, in accordance with State Capitalization of Interest Cost Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants, related to our New amounts of $588,053, $403,572 and $-0- as of March 31, 2008, December 31, 2007 and December 31, 2006, respectively. Ca progress on the consolidated balance sheets.

Construction in Progress. Construction in progress includes amounts incurred for construction costs, equipment purchases construction of our Woodbridge facility.

Restricted Cash. As of March 31, 2008 and December 31, 2007, we had remaining approximately $11,887,000 and $14,59 our bond agreement. This cash was raised in our initial public offering and bond financing, both of which closed on February consisting as of March 31, 2008, of $8,708,000 for the construction of the Woodbridge facility, $711,000 for the working cap the facility is under construction and $2,468,000 in reserve for bond principal and interest payments along with a reserve for l as non-current to the extent that such funds are to be used to acquire non-current assets or are to be used to service non-curren disbursement of all restricted funds.

Fair Value of Financial Instruments. Statement of Financial Accounting Standards (SFAS) No. 107, Fair Value of Finan financial instruments for which the determination of fair value is practicable. SFAS No. 107 defines the fair value of a financi could be exchanged in a current transaction between willing parties. The carrying amount of our financial instruments consist approximate their fair value because of the short maturity of those instruments. The fair value of our term notes payable and N were estimated by discounting the future cash flows using current rates offered by lenders for similar borrowings with similar and the New Jersey Economic Development Authority bonds approximate their carrying value. Our financial instruments are

Table of Contents

Liquidity and Capital Resources

At March 31, 2008, we had total current assets of approximately $9.4 million consisting primarily of cash, restricted cash a approximately $6.8 million, consisting primarily of accounts payable, accrued expenses and notes payable leaving us with tot Non-current assets totaled $24.1 million and consisted primarily of restricted cash, construction in process and property and e notes payable of $720,000 and bonds payable of $17,500,000 at March 31, 2008. We accumulated a net loss from inception th $12.8 million. Owners equity at March 31, 2008 was approximately $8.5 million. From inception through March 31, 2008, v $260,000 (all of which were earned in the first quarter of 2008).

We issued 1,800,000 Class A warrants as part of our initial public offering. We also issued an additional 293,629 Class A February 16, 2007 and January 24, 2008 financings, respectively. The exercise price of each Class A warrant is $8.25 per sha but if the warrants are not exercisable at that time because a current registration statement for the underlying shares is not ava 30 days following notice from us that the warrants are again exercisable. Nevertheless, there is a possibility that the warrants otherwise, and that we will never receive cash in connection with the exercise of the warrants. In the first quarter of 2008, 706 warrants were voluntarily exercised, providing us with approximately $6.0 million in cash. Commencing January 2008, the re the initial public offering, 293,629 from the February 2007 financing, and 375,000 from the January 2008 financing) were rec per warrant, if the closing price of our common stock, as reported on the Nasdaq Capital Market, equaled or exceeded $9.35 f provide 30 days prior written notice to the Class A warrant holders of our intention to redeem the warrants. We have not pro because we have agreed with our bridge financing lenders and the lenders in the January 24, 2008 financing that we would no were in effect with respect to all of the Class A warrants and such a registration statements are not yet in effect. Once the regi of our intention to redeem the Class A warrants, we could receive proceeds of up to $14.7 million if all of the outstanding Cla 1,800,000 Class B warrants as part of our initial public offering, and 293,629 Class B warrants and 375,000 Class B warrants financings, respectively, all of which have the same expiration date as the Class A warrants. These warrants are not redeemab will ever be exercised.

We currently have manufacturing capabilities in our Gonzales facility as a means to generate revenues and cash. In additio from our February 2007 equity and bond offerings, together with the $4.6 million of lease financing provided by the landlord facility, which is expected to commence operations at the end of the second quarter of 2008. We believe that the remaining $1 offerings, along with the proceeds from the exercise of our Class A warrants, which totaled approximately $6.0 million as of facility, will be sufficient to sustain our operations until the Woodbridge facility is completed or at least through the end of M warrants, as described above, we agreed to not call any of our warrants until a registration statement registering the warrants v registration statement is declared effective, we will not receive any proceeds from the exercise of these warrants. We can not declared effective. However, if the registration statement is declared effective, as we have decided to redeem the Class A war additional funding if all of the Class A warrants were to be exercised. We do not expect to need to raise additional funds in th Gonzales operations and the cash received from warrant exercises, to date, coupled with the restricted cash set aside for the W fund our current operations until the plant in Woodbridge is cash flow positive and until the Gonzales facility build out is com required to raise additional funds in order to build our planned facility in Rhode Island, to refinance our current debt, or if we with our operations. We do not have any commitments for additional equity or debt funding, and, moreover, we would not be the consent of the bondholders of the New Jersey Economic Development Bond. We have obtained such consent for prior fin such consent in the future.

In January 2008, we borrowed $4,500,000 to fund the acquisition of the net assets purchased from WRI and UOP, to expar provide working capital. See Introduction above. We expect these funds to be sufficient to add capacity to the Gonzales fa or any delays in completing such expansion, will inhibit the cash flow generation of the Gonzales facility, and therefore reduc parts of our operations. Although we expect the Gonzales facility to be cash

Table of Contents

flow neutral even if the new capacity is not added, we do not expect that the Gonzales facility will provide any significant cas

Results of Operations

Comparison of three months ended March 31, 2008 and 2007

For the period from inception (May 3, 2003) until December 31, 2007, we were a development stage company with no rev facility, which totaled approximately $260,000, during the quarter ended March 31, 2008, and therefore we are transitioning c of production associated with these sales of approximately $220,000, generating a gross margin of approximately $38,000, or capacity.

We incurred operating costs and expenses of approximately $2.4 million and $880,000 for the three months ended March components of the increase in operating expenses for the three month period ended March 31, 2008 over the three month peri

- § $893,000 increase in general and administrative expenses due mainly to:
  - o an increase in salaries of $130,000 for additional personnel;
  - o $200,000 in professional fees relating to private placement financing;
  - o $180,000 relating to recognition of liquidated damages associated with the private placement financing; and
  - o $230,000 associated with our California operations;
- § $100,000 increase in research and development;
- § $80,000 increase in amortization; and
- § $490,000 increase in interest expense due mainly to interest on private placement financing, amortization of de New Jersey Economic Development Bonds.

Operating expenses incurred since inception (May 3, 2003) to March 31, 2008 were approximately $10,600,000 and consi administrative expenses, $2,452,000 for research and development costs, and $78,000 for amortization expense. In addition, s incurred expenses of approximately $234,000 for amortization of capitalized costs and $2,937,000 of interest expense offset b

As of March 31, 2008, we had current assets of approximately $9.4 million compared to $3.2 million as of December 31, 2 $33.5 million as of March 31, 2008 compared to approximately $22.2 million as of December 31, 2007. The majority of the i December 31, 2007 to March 31, 2008 is due to receipt of approximately $6.0 million in cash from the voluntary exercise of c acquired with our acquisitions of UOP and WRI.

As of March 31, 2008, we had current liabilities of approximately $6.8 million compared to $2.5 million at December 31, private financing, net of discounts, of $2.3 million and loans issued in association with our acquisitions of UOP and WRI. In a $18.2 million as of March 31, 2008 as compared to $17.6 million at December 31, 2007. This increase is primarily due to the our acquisition of UOP and WRI.

For the three months ended March 31, 2008, we had negative cash flow from operating activity of approximately $1.4 mill offset by certain non-cash items such as depreciation, amortization of deferred financing fees and amortization of discounts o payable. For the three months ended March 31, 2008, we also had negative cash flow from investing activity of $1.4 million, negative cash flow from both operating and investing activity was offset

Table of Contents

by approximately $10.2 million in positive cash flow from financing activity comprising approximately $6.0 million from the proceeds of private financing.

Comparison of year ended December 31, 2007 and 2006

We incurred operating costs and expenses of approximately $4,084,000 and $3,726,000 for the years ended December 31, $10,374,000 for the period from inception (May 3, 2003) until December 31, 2007.

As of December 31, 2007, we had current assets of approximately $3.2 million compared to $210,000 as of December 31, $22.2 million as of December 31, 2007 compared to approximately $1.6 million as of December 31, 2006. The majority of th 2007 is due to restricted cash that was raised in our initial public offering of common stock and the issuance of New Jersey E February 16, 2007.

As of December 31, 2007, we had current liabilities of approximately $2,501,000 compared to $3,734,000 at December 31 payment of bridge loans and demand notes. In addition, we had long-term liabilities of approximately $17,589,000 as of Dece 2006. This increase is due to the issuance of the New Jersey Economic Development Bonds in February 2007.

For the twelve months ended December 31, 2007 we had negative cash flow from operating activity of approximately $3.7 offset by certain non-cash items such as depreciation, amortization of deferred financing fees, stock issued for extension of br accrued interest. We also had negative cash flow from investing activity of $19.6 million, primarily related to the establishme from both operating and investing activity was offset by approximately $23.5 million in positive cash flow from financing act issuance of bonds and $8.9 million from the proceeds of our initial public offering.

Off-Balance Sheet Transactions

We do not engage in material off-balance sheet transactions.

Table of Contents

BUSINESS

Company History

Converted Organics Inc. is transitioning from a development stage company (first reported revenues were in February 200 construct processing facilities that will use food waste as raw material to manufacture all-natural soil amendment products co characteristics. In addition to our sales in the agribusiness market, we plan to sell and distribute our products in the turf manag long-term lease for a site in a portion of an industrial building in Woodbridge, New Jersey that the landlord is modifying and organic waste conversion facility (we refer to this facility as the Massachusetts Strategic Envirotechnology Partnership Progra operations at the Woodbridge facility, and do not expect to generate any revenue until the facility is completely operational, a second quarter of 2008. On January 24, 2008, we acquired the operating facility in Gonzales, California of United Organic Pr operational and began to generate revenue for us in February 2008 (we refer to this facility as the Gonzales facility). Also, Waste Recovery Industries, LLC, or WRI, which technology will allow us to operate future facilities using our own technolog In addition, we have an option on a long-term lease for a facility in Rhode Island. Construction has not yet begun at the Rhod some time in the future and is dependent upon obtaining appropriate financing.

We were incorporated under the laws of the state of Delaware in January 2006. In February 2006, we merged with our pre LLC and Mining Organics Harlem River Rail Yard, LLC, in transactions accounted for as a recapitalization. These predecess organizational research that led to the foundation of our current business plan.

On February 16, 2007, we successfully completed an initial public offering of stock and successfully completed a bond off Authority. The net proceeds of the stock offering of $8.9 million, together with the net proceeds of the bond offering of $16.5 Woodbridge facility, fund our marketing and administrative expenses during the construction period and fund specific princip Of the total net proceeds of the stock and bond offerings of $25.4 million, $14.6 million will be used in the construction of the has been or will be used for the items mentioned above. We believe that the $14.6 million available for the construction of the $4.6 million in lease financing from the landlord, will provide sufficient capital to complete the construction of the facility as to repay the $4.6 million in lease financing is expected to be generated from operations once the facility is complete, and will offering of stock or the New Jersey Development Authority bonds. As of March 26, 2008, we have committed an additional $ allow us to produce additional products for sale in the retail markets. We feel that the additional sales associated with these up

On January 24, 2008, we acquired the assets, including the intellectual property, of WRI. This acquisition makes us the ex process known as the High Temperature Liquid Composting, or HTLC, system, which processes various biodegradable waste and feed products. The acquisition allows us to utilize the proprietary technology and process in all of our future waste to fert our own technology.

Also, on January 24, 2008, we acquired the net assets of UOP, which was under common ownership with WRI. With this a product line, as well as a state-of-the-art production facility that services a West coast agribusiness customer base through est operational and began to generate revenues for us in February 2008.

Our Revenue Sources

Our revenue will come from two sources: tip fees and product sales. Waste haulers will pay the tip fees to us for accept grocery stores, produce docks, fish markets and food processors, and by hospitality venues such as hotels, restaurants, conven the customers who purchase our products. Our planned products will possess a combination of nutritional, disease suppressio will be sold in both dry and liquid form and will be stable with an extended

Table of Contents

shelf life compared to other organic fertilizers. Among other uses, the liquid product is expected to be used to mitigate powde
and nutrients to the plant. These products can be used either on a stand-alone basis or in combination with more traditional pe
products. Based on growth trial performance, increased environmental awareness, trends in consumer food preferences and co
will have substantial demand in the agribusiness, turf management and retail markets. We also expect to benefit from increase
environmentally friendly growing practices.

Our Woodbridge Facility

Converted Organics of Woodbridge, LLC, a New Jersey limited liability company and wholly owned subsidiary of the co
constructing and operating the Woodbridge facility, which we expect to commence operations at the end of the second quarte

We entered into a 10-year lease with a 10-year option to renew, which we have exercised, for approximately 60,000 squar
existing building is being upgraded to accommodate the conversion process and to house our processing equipment. The prop
special flood hazard area.

Our process engineer, Weston Solutions, Inc., completed the design for the Woodbridge facility. We entered into guarante
mechanical and electrical contractors to build the processing facility. A guaranteed maximum price contract is a contract to co
obtained by the contractor.

We entered into an agreement on November 15, 2006 with Royal Waste Services, Inc. of Hollis, New York to provide up t
facility. We have also had discussions with several other solid waste-hauling companies and numerous waste generators regar
will receive feedstock by truck over local roads. The fertilizer products produced at the facility are expected to be delivered b

Our conversion process has been approved for inclusion in the Middlesex County and New Jersey State Solid Waste Mana
recycling permit, which is the primary environmental permit for this project. The remaining required permits are primarily tho
any manufacturing business.

The facility is expected to use significant amounts of electricity, natural gas and steam. We expect to use the services of ar
electricity, and water will be provided by the Town of Woodbridge. Wastewater will be discharged by permit into the local se

Our Woodbridge facility will receive raw material from the New York-Northern New Jersey metropolitan area. It is locate
northern New Jersey, providing efficient access for the delivery of feedstock from throughout this geographic area. This facili
County and New Jersey State Solid Waste Management Plans. When fully operational, the Woodbridge facility is expected to
waste and produce approximately 7,500 tons of dry product and 6,700 tons of liquid concentrate annually.

Our Gonzales Facility

On January 24, 2008, we acquired the Gonzales facility which is currently producing 25 tons per day of liquid organic fert
completion of upgrades to the facility, at which time both liquid and dry product will be produced. We expect to continue to o
take place. We anticipate that all upgrades will be completed by the end of the third quarter of 2008. Converted Organics of C
and our wholly owned subsidiary, was formed for the purpose of owning, upgrading and operating the Gonzales facility.

On January 24, 2008, we entered into a 10-year lease for land in Gonzales, California, where our Gonzales facility is locat
LLC, a California LLC whose sole member is the Executive Vice President, Chief Technology Officer and a director of Conv
rent of $9,000. The lease is also renewable for three 5-year terms after the expiration of the initial 10-year term. In addition, w

Table of Contents

the Gonzales facility and the operating equipment used in the facility. Valley Land Holdings assets and liabilities consist pri and its operations consist of rental income on the land from us and related operating expenses.

Future Expansion of Business

In addition to our Gonzales and Woodbridge facilities, our strategic plan calls for the development and construction of faci We currently are planning to operate these new facilities using the technology that we acquired in our acquisition of WRI. We engineering and design work used in our Gonzales facility.

In each of our contemplated locations, we have:

§ Engaged a local businessperson well acquainted with the community to assist us in the permitting process and deve

§ Participated in numerous meetings with state, county and local regulatory bodies as well as environmental and eco

§ Identified potential facility sites.

As new facilities commence production, we also anticipate we will achieve economies of scale in marketing and selling ou spread over a larger volume of product. As the overall volume of production increases, we also believe we may be able to mo who may require larger quantities of fertilizer to efficiently utilize their distribution systems.

To date, we have undertaken the following activities in the following markets to prepare to develop additional facilities:

§ In Rhode Island, we have proposed construction of a 10,000-ton per year manufacturing facility to service the entir Rhode Island Resource Recovery Corporation, or RIRRC, the agency responsible for managing solid waste in the s landfill, thereby greatly reducing the time associated with permitting and construction. The RIRRC has reviewed th an option in the 2006 update to its solid waste plan. On January 15, 2008, we announced that we had executed an o organic fertilizer facility in Johnston, Rhode Island. We are negotiating a term sheet with the RIRRC for a facility quarter of 2008. We have not yet secured the necessary permits or financing to construct this facility.

§ In Massachusetts, we have performed initial development work in connection with construction of a proposed 15,0 eastern Massachusetts market. Our proposal to develop this facility is currently under review by the property owne

§ In New York City, we have proposed construction of a 15,000-ton per year manufacturing facility in the South Bro held discussions with both the New York City Department of Environmental Protection and the New York State D

Conversion Process

The process to be used in the Woodbridge facility to convert food waste into our solid and liquid fertilizer products is base Thermophilic Aerobic Digestion (EATAD). The EATAD process was developed by International Bio-Recovery Corporatio technology in the form of know-how integral to the process and that has licensed to us their technology for organic waste app New Jersey area. In simplified terms, EATAD means that once the prepared foodstock is heated to a certain temperature, it se very high, pathogen-destroying temperature levels (thermophilic). Bacteria added to the feedstock use vast amounts of oxyge rich blend of nutrients and single cell proteins. Foodstock preparation, digestion temperature,

rate of oxygen addition, acidity and inoculation of the microbial regime are carefully controlled to produce products that are h

The products we plan to manufacture using our process will be positioned as:

§ A stand-alone fertilizer with plant nutrition, disease suppression and soil enhancement (amendment) benefits. The approximately 3% nitrogen, 2% phosphorous and 1% potassium (3-2-1 NPK); or

§ A blend to be added to conventional fertilizers and various soil enhancements to improve the soil as required by th

The efficacy of our products has been demonstrated both in university laboratories and multi-year growth trials funded by conducted on more than a dozen crops including potatoes, tomatoes, squash, blueberries, grapes, cotton and turf grass. While or otherwise subject to third-party scrutiny, we believe the trials and other data show our solid and liquid products produced u attributes:

§ *Plant nutrition.* Historically, growers have focused on the nitrogen (N), phosphorous (P) and potassium (K) conter understanding of the importance of soil culture, they have turned their attention to humic and fulvic acids, phytoho not present in petrochemical-based fertilizers. Our products will have NPK content of approximately 3-2-1 and wil modified or fortified to meet specific user requirements.

§ *Disease suppression.* Based on field trials using product produced by our licensed technology, we believe our proc characteristics to eliminate or significantly reduce the need for fungicides and other crop protection products. The observed under controlled laboratory conditions and in documented field trials. We also have other field reports tha reducing the severity of powdery mildew on grapes, reducing verticillium pressure on tomatoes and reducing scab

§ *Soil amendment.* As a result of its slow-release nature, our dry fertilizer product increases the organic content of so reducing NPK leaching and run-off.

§ *Pathogen-free.* Due to high processing temperatures, our products are virtually pathogen-free and have extended s

Nexant ChemSystems, Inc., a process engineering and strategic marketing research firm, evaluated our products projecte costs of production to the end user and concluded based on review of various growth trials that the economic yield of crops EATAD process increased by an average of 11% with respect to the liquid product and 16% with respect to the dry product co potatoes and blueberries, economic yield increased by 16%, 19% and 30%, respectively, compared with control groups.

We plan to apply to the U.S. Department of Agriculture, or USDA, and various state agencies to have our products produc fertilizer or separately as an organic fungicide. We expect organic labeling, if obtained, to have a significant positive impact o products will be fully converted during the EATAD process and therefore have consistent quality, be stable, odor-free and co a relatively high nutrient content and will be free of pathogens. Our products will be positioned for the commercial market as into traditional nutrition and disease suppression applications.

In January 2008, we acquired the assets, including the intellectual property, of WRI. This acquisition makes us the exclusi known as the High Temperature Liquid Composting, or HTLC, system, which processes various biodegradable waste product products. The liquid fertilizer produced at our Gonzales facility is labeled as an organic fertilizer. The HTLC technology is no of our future operating plants, except the Woodbridge facility which is licensed to use the EATAD technology and any future exclusive owner

Table of Contents

of the HTLC technology, we expect to achieve the same or better operating results as we would with the licensed EATAD tec terms of the acquisition of the assets of WRI, we pay a fee for each ton of additional capacity added to our current or planned be less than the royalty expense paid for use of the licensed EATAD technology.

IBRC License

Pursuant to a July 2003 know-how license agreement, IBRC granted us an exclusive license for a term of 40 years to use it construction and operation of facilities within a 31.25 mile radius from City Hall in New York City for the conversion of orga license permits us to use the technology at our Woodbridge facility site; restricts the ability of IBRC and an affiliated compan or patent license related to the EATAD technology within the exclusive area; and restricts our ability to advertise or contract f same exclusive area. The licensed know-how relates to machinery and apparatus used in the EATAD process.

We are obligated to pay IBRC an aggregate royalty equal to 9% of the future gross revenues from the sale of product prod agreement containing this royalty provision may be terminated at IBRC s option, if we do not commence continuous operatio agreement, by February 1, 2009. We are also obligated to purchase IBRC s patented macerators and shearators, as specified l use at the Woodbridge facility.

In addition, we paid $139,978 to IBRC in 2007 for a non-refundable deposit on a second plant licensing agreement. We al twelve equal monthly installments for market research, growth trials and other services. As of December 31, 2007, we had pa been included in research and development in our consolidated statements of operations.

The license agreement restricts the sale of products from the facilities covered by the license to the Eastern Seaboard as di Distribution. Also, pursuant to the license agreement, we have granted a proposed cooperative called Genica, which has yet right of first refusal to market all of our products using the licensed IBRC technology, in accordance with the terms and upon price list. If we propose to sell end products to a third party for a price lower or otherwise on terms more favorable than such first refusal to market such products on the terms and upon payment to us of the price proposed to the third party.

This IBRC license is in effect for our Woodbridge facility. Our Gonzales facility operates under different technology (HT also intend to use this HTLC technology in the construction of future operating plants outside of the New York metropolitan a

Marketing and Sales

Target Markets

The concern of farmers, gardeners and landscapers about nutrient runoffs, soil health and other long-term effects of conve organic fertilizer. We have identified three target markets for our products:

§ *Agribusiness:* horticulture, hydroponics and aquaculture;

§ *Turf management:* golf courses, sod farms and commercial, institutional and government facilities; and

§ *Retail sales:* home improvement outlets, garden supply stores, nurseries, Internet sales and shopping networks.

Agribusiness: Today, the focus is on reducing the use of chemical products and at the same time meeting the demand for alternatives. This change in focus is the result of:

§ Consumer demand for safer, higher quality food;

Table of Contents

- The restriction on use of registered chemical products. Several U.S. government authorities, including the Environ Administration, and the USDA regulate the use of fertilizers.;
- Environmental concerns and the demand for sustainable technologies;
- Demand for more food for the growing world population; and
- The cost effectiveness and efficacy of non-chemical based products to growers.

Consumer demand for organic food products increased throughout the 1990s to date at approximately 20% or more per an national organic standards in October 2002, the organic food industry has continued to grow. According to the Nutrition Busi expanded almost four-fold from $3.6 billion in 1997 to 2005 and averaged annual growth of 19.4% over the six-year period o $22.8 billion natural and organic foods market and 2.5% of the $557 billion U.S. foods market (excluding food service) in 20 market in 1997.

Farmers are facing pressures to change from conventional production practices to more environmentally friendly practices certified organic farming methods as a potential way to lower production costs, decrease reliance on nonrenewable resources an organically grown label and capture premium prices, thereby boosting farm income.

Turf management: We believe golf courses will continue to reduce their use of chemicals and chemical-based fertilizers t fertilizer runoff. The United States Golf Association, or USGA provides guidelines for effective environmental course manag products and practices that reduce the potential for contamination of ground and surface water. Strategies include using slow- application of nutrients through irrigation systems. Further, the USGA advises that the selection of chemical control strategie inadequate. We believe that our all-natural, slow-release fertilizer products will be well received in this market.

Retail sales: According to The Freedonia Group, a business research company, the $6 billion U.S. market for packaged la Fertilizers, mulch and growing media will lead gains, especially rubber mulch, colored mulch and premium soils. The growth double the rate of growth of conventional products but remain a small segment.

Product Sales and Distribution

Products manufactured at our Woodbridge facility using the licensed IBRC technology may be sold under the names Gen for the liquid fertilizer, if we join a proposed marketing cooperative described in the two paragraphs below. Our license with the Eastern Seaboard states, including Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New Yo Virginia, District of Columbia, North Carolina, South Carolina, Georgia and Florida.

We plan to sell and distribute our products by creating a sales organization or joining the proposed marketing cooperative. fertilizer products for distribution in our target geographic and product markets. Key activities of the sales organization will in development of relationships with targeted clients. In addition, we have had preliminary discussions with manufacturers rep appropriate retail outlets.

IBRC is planning to form a marketing cooperative called Genica which is proposed to support IBRC s plant licensees. Ge distribution, research and development organization for products produced using the IBRC technology. As a plant licensee, w offer several strategic advantages and would allow us to sell our end products through proposed marketing, sales and distribut research and development functions performed by the cooperative as well as from what IBRC has accomplished in the past.

Table of Contents

Our Gonzales and future plants will not be subject to these territory or cooperative restraints as they may operate using the

In order to develop a consistent sales and distribution strategy, we have hired a seasoned professional to serve as Vice Pre UOP, we have retained the services of employees who are currently selling product into the agribusiness market.

Environmental Impact of Our Business Model

Organic food waste, the raw material of our manufacturing process, comes from a variety of sources. Prior to preparation, shipped, unpacked, sorted, selected and repackaged before it finds its way into markets, restaurants or home kitchens. Current particularly in densely populated metropolitan areas such as New York City, Northern New Jersey, and Eastern Massachusett of in either landfills or incinerators that do not produce a product from this recyclable resource. We intend to use a demonstra convert waste into valuable all-natural soil amendment products.

Food waste comprises 15 to 20% of the nation s waste stream. Disposing of or recycling food waste should be simple, sin nature. However, the large volumes of food wastes generated in urban areas combined with a lack of available land for traditi disposal of food wastes increasingly expensive and difficult. Landfill capacity is a significant concern, particularly in densely negative environmental effects including liquid wastes migrating into groundwater, landfill gas, consumption of open space, a more remote sites. The alternative of incineration may produce toxic air pollutants and climate-changing gases, as well as ash recover the useful materials from organic wastes that can be recycled. Traditional composting is a slow process that uses large attract vermin. In addition, composting usually creates an inconsistent product with lower economic value than the fertilizer p

Our proposed process occurs in enclosed digesters housed within a building that will use emissions control equipment, turning food waste into a fertilizer product using an environmentally benign process, we anticipate that we will be able to redu and incinerators, which may in turn reduce the release of greenhouse gases such as methane and carbon dioxide.

The following table summarizes some of the advantages of our proposed process compared with currently available metho

Comparison of Methods for Managing Food Waste

Method	Environmental Impacts
Landfilling	Loss of land
	Groundwater threat
	Methane gas
	Air pollution from trucks
	Useful materials not recycled
	Undesirable land use
Incineration	Air pollution

Table of Contents

Method	Environmental Impacts
	Toxic emissions
	Useful materials not recycled
	Disposal of ash still required
Composting	Groundwater threat
	Odor
	Vermin
	Slow takes weeks
	Substantial land required
Converted Organics	No air pollution or solid waste
	No harmful by-products
	Removal of waste from waste stream
	Consumption of electricity and natural gas
	Discharge of treated wastewater into sewage system

Environmental regulators and other governmental authorities in our target markets have also focused more recently on the food waste. For example, the New Jersey Department of Environmental Protection, or NJDEP, estimates nearly 1.5 million to 2003, only 221,000 tons were recycled. The 2005 NJDEP Statewide Solid Waste Management Plan focuses particularly on th effective ways to create significant increases in recycling tonnages and rates. In New York, state and local environmental age organics from landfills and are actively seeking processes consistent with health and safety codes. The goal is to further reduc traditional disposal facilities, particularly waste that is hauled great distances, especially in densely populated areas in the Nor the bulk food waste processing technology of our technology licensor to determine whether using our licensed technology wo practicable, and an appropriate application in Rhode Island. The RIRRC completed its review and included the technology in Massachusetts, the State Solid Waste Master Plan has also identified a need for increased organics-processing capacity within approval path.

Competition

We believe we will be operating in a very competitive environment in our business s three dimensions organic wastestr which is quickly evolving. We believe we will nevertheless be able to compete effectively because of the abundance of the su markets, the pricing of our tip fees and the quality of our proposed products and technology.

Organic Wastestream. Competition for the organic waste stream feedstock includes landfills, incinerators and traditional c generally categorized as pre- and post-consumer food waste, lawn and garden waste, and bio-solids, including sewage sludge states, including New Jersey, have begun to regulate the manner in which food waste may be composted. New Jersey has crea we believe our Woodbridge facility will be the first approved in-vessel processing facility in the state. In Massachusetts, state organic materials at

Table of Contents

landfills and incinerators once sufficient organic processing capacity exists within the state, which if adopted would provide a

Technology. There are a variety of technologies used to treat organic wastes including composting, digestion, hydrolysis a technologies may compete with us for organic material.

Composting is a natural process of decomposition that can be enhanced by mounding the waste into windrows to retain he compost facilities require significant amounts of land for operations that may not be readily available or that may be only ava Given the difficulties in controlling the process or the consistent ability to achieve germ-killing temperatures, the resulting co would command a lower market price than our product.

Digestion may be either aerobic, like the EATAD process, or anaerobic. Anaerobic digestion is, in simple terms, mechaniz anaerobic digestion systems are designed to capture the methane generated. While methane has value as a source of energy, it transported.

Hydrolysis is an energy-intensive chemical process that produces a by-product, most commonly ethanol. Thermal technolo electricity. Food waste, which is typically 75-90% water, is generally not a preferred feedstock. Absent technological breakth technologies are expected to be accepted for organic food waste processing on a large-scale in the near term.

End Products. The organic fertilizer business is relatively new, and we believe it is highly fragmented, under-capitalized a producers or products currently in the market. There are a number of single input, protein-based products, such as fish, bone a with chemical additives to create highly formulated fertilizer blends that target specific soil and crop needs. In this sense they shelf life or seasonality problems.

Most of the 50 million tons of fertilizer consumed annually in North America is mined or derived from petroleum. These p nutrient content (NPK) and cost less than organic fertilizers. However, as agronomists better understand how soil, root and ste micronutrients has become more highly valued. Petrochemical additives have been shown to deaden the soil, which ironically Traditional petrochemical fertilizers are highly soluble and readily leach from the soil. Slow release products that are coated c we believe the economic value offered by petrochemicals, especially for field crops including corn, wheat, hay and soybeans,

Despite a large number of new products in the end market, we believe that our products have a unique set of characteristic combination of nutrition and disease suppression characteristics will differentiate our products from other organic fertilizer pr or increasing pricing. In view of the barriers to entry created by the supply of organic waste, regulatory controls and the cost o manufacturer or product emerging in the near-term.

Government Regulation

Our end products may be regulated or controlled by state, county and local governments as well as various agencies of the Administration and the Department of Agriculture.

In addition to the regulations governing the sale of our end products, our facilities will be subject to extensive regulation. W recycling facilities as well as permits for our sewage connection, water supply, land use, air emission, and wastewater dischar set by the state and the various local jurisdictions, including but not limited to city, town, county, and township and state agen

For our Woodbridge facility, we have obtained various permits and approvals to operate a recycling center and a manufact recycling permit; land use and site plan approval; an air quality permit; a discharge permit; treatment works approval and a st and a soil conservation district permit.

Table of Contents

Environmental regulations will also govern the operation of our facilities. Our future facilities will most likely be located i present. Regulatory agencies may require us to remediate environmental conditions at our locations.

Employees

As of May 20, 2008, we had 22 full-time employees, 8 of whom were in management and administration and 8 of whom w Woodbridge facility reaches its initial design capacity of 250 tons per day, we expect to have another 14 full-time employees management, equipment operation, quality control, maintenance, laborers, and administrative support. We are also planning f finance, technology and administrative areas.

Properties

We have entered a 10-year lease, which we have renewed for an additional 10 years, for property located in an industrial a which our Woodbridge facility is being constructed. The lease covers 60,000 square feet of a 300,000 square foot building. Th year 6, the rent increases by 5% and will increase 2% per year in years 7 through 10. On January 18, 2007, we executed a leas incurred in connection with a buildout of the leased space. During years 2 through 10, we will pay an additional $45,402 per m $77,902 per month. In year 11, the rent will increase by 5% and will increase an additional 2% per year in years 12 through 1 will increase 2% per year through the remainder of the term. We are responsible for payment of common area maintenance fe to the whole facility and for our separately metered utilities. The additional rent associated with the buildout of the facility is a discussed above. This buildout allowance represents additional financing to us and is not included in the estimated costs of $1

On January 24, 2008, we entered into a 10-year lease for land in Gonzales, California, where our Gonzales facility is locat LLC, a California LLC whose sole member is our Executive Vice President, Chief Technology Officer, and a director of Con rent of $9,000. The lease is renewable for three 5-year terms after the expiration of the initial 10-year term.

We currently lease, on a month-to-month basis, approximately 2,500 square feet of office space for our headquarters in Bo for this space. We may terminate the office lease at any time upon 30 days advance written notice.

Table of Contents

PLAN OF DISTRIBUTION

Each Selling Securityholder and its pledgees, assignees and successors-in-interest may, from time to time, sell any or all o exchange, market or trading facility on which those securities are traded or in private transactions. These sales may be at fixe

We are also registering the initial issuance of shares of our common stock upon the exercise of the Class A and Class B W pursuant to this prospectus.

A Selling Securityholder may use any one or more of the following methods when selling shares and warrants:

- 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 or warrants as agent but may position and res 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;
- settlement of short sales entered into after the effective date of the registration statement of which this prospectus i
- broker dealers may agree with the Selling Securityholders to sell a specified number of such shares or warrants at a
- through the writing or settlement of options or other hedging transactions, whether through an options exchange or
- a combination of any such methods of sale; or
- any other method permitted pursuant to applicable law.

The Selling Securityholders may also sell their shares of common stock, Class A warrants and Class B warrants under Rul prospectus.

The Selling Securityholders may also engage in short sales against the box, puts and calls and other transactions in our sec deliver securities in connection with these trades.

Broker dealers engaged by the Selling Securityholders may arrange for other broker dealers to participate in sales. Broker Selling Securityholders (or, if any broker-dealer acts as agent for the purchaser of securities, from the purchaser) in amounts t commissions and discounts will exceed what is customary in the types of transactions involved. Any profits on the resale of s might be deemed to be underwriting discounts or commissions under the Securities Act. Discounts, concessions, commission sale of shares or warrants will be borne by a Selling Securityholder. The Selling Securityholders may agree to indemnify any transactions involving sales of the shares or warrants if liabilities are imposed on that person under the Securities Act.

The Selling Securityholders and any broker dealers or agents that are involved in selling the shares or warrants may be dee Securities Act in connection with such sales. In such event, any commissions received by such broker dealers or agents and a purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act.

Table of Contents

We are required, or have elected, to pay all fees and expenses incident to the registration of the shares and warrants being r
commissions and other selling expenses. We have agreed to indemnify the Selling Securityholders against certain losses, clai
the Securities Act arising out of or based upon any untrue or alleged untrue statement of a material fact contained in the regist
prospectus or in any amendment or supplement thereto or in any preliminary prospectus, or arising out of or based upon any o
necessary to make the statements therein not misleading.

The anti-manipulation rules of Regulation M under the Securities Exchange Act of 1934 may apply to sales of common sto
activities of the Selling Securityholders.

Table of Contents

SELLING SECURITYHOLDERS

Below is information with respect to the beneficial ownership of our securities by the Selling Securityholders as of May 28 Securityholders do not have, or have had, any position, office or other material relationship with us or any of our affiliates bey Beneficial ownership has been determined in accordance with the rules of the SEC, and includes voting or investment power securities does not necessarily mean that the Selling Securityholders will sell any or all of the securities covered by this prosp

We are registering 293,629 Class A warrants, 293,629 Class B warrants, and 587,258 shares of common stock underlying issued to the Selling Securityholders, in each case, for resale from time to time by the Selling Securityholders identified in thi issuance of shares of our common stock upon the exercise of the Class A and Class B Warrants acquired from the Selling Sec

The information set forth in the following table regarding the beneficial ownership after resale of securities assumes that th number of shares of common stock provided for by the Class A and B warrants and will sell all of the shares of common stoc prospectus. There is no assurance that any of the warrants will be exercised.

	SECURITIES BENEFICIALLY OWNED PRIOR TO THE OFFERING			SECURITIES OFFERED HEREBY		
	Common stock(1)	Class A Warrants	Class B Warrants	Class A Warrants	Class B Warrants	Comm sto underlyi Cla A Warran a Class Warran
HIGH CAPITAL FUNDING LLC(2)	99,959 (3)	250,340	250,340	109,090	109,090	218,18
LEA ADAR		3,636	3,636	3,636	3,636	7,27
ATTAR FAMILY LTD	2,396	7,636	7,636	7,636	7,636	15,27
LESLIE BARDT		909	909	909	909	1,8
RICHARD BASSIN		7,273	7,273	7,273	7,273	14,54
MARC AND ELLEN BECKER TENANTS IN COMMON		2,727	2,727	2,727	2,727	5,45
RONALD J BERK		9,091	9,091	9,091	9,091	18,18
HARRIET STONE BERKOWITZ		909	909	909	909	1,8
MORRELL BERKOWITZ		909	909	909	909	1,8
JAMES AND CAROL BOS		909	909	909	909	1,8
FRED A BRASCH		2,727	2,727	2,727	2,727	5,45
DIANA BUDZANOSKI	2,319	1,818	1,818	1,818	1,818	3,63
BUSHROD BURNS	1,319	1,818	1,818	1,818	1,818	3,63
HOWARD COMMANDER		9,091	9,091	9,091	9,091	18,18
SCOTT COMMANDER		1,818	1,818	1,818	1,818	3,63
BARBARA H AND PETER R DUCOFFE		4,545	4,545	4,545	4,545	9,09
HERBERT W EBER		909	909	909	909	1,8
		2,727	2,727	2,727	2,727	5,45

KENNETH AND JOCELIN ELAN NEILA AND LAWRENCE B. FISHER		2,727	2,727	2,727	2,727	5,45
J DAVID FORSYTH		3,091	3,091	3,091	3,091	6,18
JACK FRANCO	100	1,818	1,818	1,818	1,818	3,63
SCOTT GARBER		1,818	1,818	1,818	1,818	3,63
STEPHEN W GARBER		9,091	9,091	9,091	9,091	18,18
SONIA GLUCKMAN		4,545	4,545	4,545	4,545	9,09
STEPHEN M GREENBERG		909	909	909	909	1,81
DAVID R GROSS		3,091	3,091	3,091	3,091	6,18
CHRISTEN HART		909	909	909	909	1,81
ELLIS T AND REVA A HART		909	909	909	909	1,81
HART FAMILY REVOCABLE TRUST		909	909	909	909	1,81
THE HART ORGANIZATION CORP		3,636	3,636	3,636	3,636	7,27
MARY L HART		9,091	9,091	9,091	9,091	18,18
DAVID AND JOAN HERSKIVITS		3,636	3,636	3,636	3,636	7,27
INSIGHT PRODUCTIONS LLC		909	909	909	909	1,81
NORMAN AND PATTY JOHNSON		909	909	909	909	1,81
LESLIE AND BARBARA KALMUS JT	1,160	909	909	909	909	1,81
GERALD F KAPLAN	14	5,455	5,455	5,455	5,455	10,91
JEFFREY A KUNKES MD	50	909	909	909	909	1,81
GERALD S LEESEBERG		6,364	6,364	6,364	6,364	12,72
MICHAEL G LEFF	215	1,818	1,818	1,818	1,818	3,63
JEFFREY J LEON		1,818	1,818	1,818	1,818	3,63
DR JAMES M LIBBY		3,636	3,636	3,636	3,636	7,27
STANLEY C LIPTON		1,818	1,818	1,818	1,818	3,63
EDGAR O MANDEVILLE	1,160	909	909	909	909	1,81
MELISSA MANHEIM	1,160	909	909	909	909	1,81
THERESA MARI ALEXANDER		909	909	909	909	1,81
MICHAELS	1,533	7,273	7,273	7,273	7,273	14,54
JAMES J NOONAN	333	3,091	3,091	3,091	3,091	6,18
ONE WALTON PLACE LLC		2,727	2,727	2,727	2,727	5,45
THE DAVID AND LAURA OWEN TRUST		909	909	909	909	1,81

THOMAS AND IRENE M PRINCIPE	100	1,818	1,818	1,818	1,818	3,6
DAVID A RAPAPORT		4,545	4,545	4,545	4,545	9,0
PHYLLIS RODBELL		909	909	909	909	1,8
NEIL AND SUSAN HART		909	909	909	909	1,8
SIDNEY AND CAROL STRICKLAN		3,091	3,091	3,091	3,091	6,1
TALL OAKS LLC	23	9,091	9,091	9,091	9,091	18,1
FRANCES N VEILLETTE	25	1,818	1,818	1,818	1,818	3,6
JO LYNN AND JOHN WALLER		1,818	1,818	1,818	1,818	3,6
WEINER FAMILY INVESTMENTS LLC	979	9,091	9,091	9,091	9,091	18,1
F KENNETH ZADECK		4,545	4,545	4,545	4,545	9,0
TOTALS	112,845	434,879	434,879	293,629	293,629	587,2

(1) Does not include shares of common stock underlying the Class A and Class B warrants.

(2) We have filed a registration statement (file no. 333-149221) to register 41,250 Class A warrants, 41,250 Class B w which are included in the table for High Capital Funding, LLC.

(3) Consists of 16,625 shares of common stock and 83,334 shares of common stock underlying a convertible debentur

Table of Contents

DESCRIPTION OF CAPITAL STOCK

The following information describes our capital stock as well as certain provisions of our certificate of incorporation and should also refer to our certificate of incorporation and bylaws, which have been filed as exhibits to the registration statemen

Our authorized capital stock consists of 40,000,000 shares of common stock, $0.0001 par value, and 10,000,000 shares of 2008, we had 5,554,277 shares of common stock and no shares of preferred stock outstanding.

Common Stock

Each outstanding share of common stock has one vote on all matters requiring a vote of the stockholders. There is no right more of the shares outstanding can, if they choose to do so, elect all of the directors. In the event of a voluntary or involuntary distribution after payment of liabilities and after provision has been made for each class of stock, if any, having preference ov stock have no preemptive rights with respect to future offerings of shares of common stock.

Holders of record of our common stock at the end of each calendar quarter, beginning with the first quarter of 2007, will re Woodbridge facility has commenced commercial operations. We will not issue fractional shares as a part of the dividend prog which we commence commercial operations.

We have not declared or paid any cash dividends and do not intend to pay any cash dividends in the foreseeable future. We operation and expansion of our business. The terms of our New Jersey bond issue restrict our ability to pay cash dividends. A stock will be at the discretion of our board of directors and will depend upon, in addition to the terms of the New Jersey bond financial condition, results of operation, capital requirements and other factors our board of directors may deem relevant. Hol and when declared by the Board out of the funds legally available therefore. It is our present intention to retain earnings, if an dividends on the common stock is, therefor, unlikely in the foreseeable future.

Holders of the Class A warrants and Class B warrants issued as a component of the units sold by us in the offering may curren warrant exercised. This includes the additional shares issuable as a result of the stock dividends we have declared since the iss

Class A Warrants

General. The Class A warrants may be exercised until the expiration date, which is February 13, 2012. Each warrant entitl an exercise price of $8.25 per share. In addition, the warrant provides for anti-dilution protection in connection with our issua since the issuance of the warrants. Accordingly, holders of the Class A warrants may currently purchase 1.276 shares of comm exercise price will be adjusted if specific events, summarized below, occur. A holder of warrants will not be deemed a holder warrant is exercised. If at their expiration date the Class A warrants are not currently exercisable, the expiration date will be e the warrants that the warrants are again exercisable. If we cannot honor the exercise of Class A warrants and the securities un exchange or if there are three independent market makers for the underlying securities, we may, but are not required to, settle between the closing price of the underlying securities and the exercise price of the warrants. Because we are not required to se there is a possibility that warrant holders will not be able to exercise the warrants when they are in-the-money or otherwise, th shares or payment of cash. This may have an adverse effect on the demand for the warrants and the prices that can be obtaine

Redemption. We will have the right to redeem the Class A warrants at a price of $0.25 per warrant, after providing 30 days any time after the date on which the closing price of our

Table of Contents

common stock, as reported on Nasdaq, equals or exceeds $9.35, for five consecutive trading days, which occurred in January registered or certified mail, return receipt requested to the transfer agent and to all holders of record of the Class A warrants a transfer records of the company or such other address designated in writing by the holder of record to the Warrant Agent not l form of notice or publication will be required. No other form of notice or publication will be required. If we call the warrants have to decide whether to sell warrants, exercise them before the close of business on the business day preceding the specifie

Class B Warrants

General. The Class B warrants may be exercised until the expiration date, which is February 13, 2012. Each Class B warra stock at an exercise price of $11.00 per share. In addition, the warrant provides for anti-dilution protection in connection with declared since the issuance of the warrants. Accordingly, holders of the Class B warrants may currently purchase 1.276 share warrant exercise price will be adjusted if specific events, summarized below, occur. A holder of warrants will not be deemed the warrant is exercised. If at their expiration date the Class B warrants are not currently exercisable, the expiration date will b of the warrants that the warrants are again exercisable. If we cannot honor the exercise of Class B warrants and the securities exchange or if there are three independent market makers for the underlying securities, we may, but are not required to, settle between the closing price of the underlying securities and the exercise price of the warrants. Because we are not required to se there is a possibility that warrant holders will not be able to exercise the warrants when they are in-the -money or otherwise, t shares or payment of cash. This may have an adverse effect on the demand for the warrants and the prices that can be obtaine

No Redemption. The Class B warrants are non-redeemable.

Provisions Applicable to the Class A and Class B Warrants

Exercise. The holders of the warrants may exercise them only if an appropriate registration statement is then in effect. To e transfer agent the warrant certificate on or before the expiration date or the redemption date, as applicable, with the form on th accompanied by payment of the full exercise price for the number of warrants being exercised. Fractional shares of common s

Adjustments in Certain Events. We will make adjustments to the terms of the warrants if certain events occur. If we distrib stock through a dividend or distribution, or if we effect a stock split of our common stock, we will adjust the total number of s warrant so that the holder of a warrant thereafter exercised will be entitled to receive the number of shares of common stock t event if the warrant holder had exercised the warrant before the event causing the adjustment. The aggregate exercise price of but the effective purchase price per share of common stock purchasable upon exercise of the warrant will be proportionately r shares will then be purchasable upon exercise of the adjusted warrant. We will make equivalent changes in warrants if we effe

In the event of a capital reorganization or reclassification of our common stock, the warrants will be adjusted so that therea upon exercise the same number and kind of securities that such holder would have received if the warrant had been exercised our common stock and the securities received on such exercise had been held through the record date of the reorganization or

If we merge or consolidate with another corporation, or if we sell our assets as an entirety or substantially as an entirety to warrant holders will be entitled to receive upon exercise of a warrant the kind and number of securities, cash or other property transaction by a person who was our stockholder immediately before the transaction and who owned the same number of shar exercisable immediately before the transaction. No adjustment to the warrants will

Table of Contents

be made, however, if a merger or consolidation does not result in any reclassification or change in our outstanding common st

Underwriter s Warrants

In connection with our initial public offering, we issued to the underwriter warrants to purchase 131,219 units, consisting o Class A warrants and 131,219 Class B warrants. The underwriter s warrants will be exercisable for units at any time beginnin neither the underwriter s warrants nor the underlying securities may be sold, transferred, assigned, pledged or hypothecated, put or call transaction that would result in the effective economic disposition of the securities by any person, except to any me partners thereof, and only if all securities so transferred remain subject to the one-year lock-up restriction for the remainder of statement of which this prospectus is part to remain effective until the earlier of February 13, 2012 and the time that all the un new registration statement covering the exercise and resale of these securities. If we cannot honor the exercise of the underwr warrants are listed on a securities exchange or if there are three independent market makers for the underlying securities, we m warrants for a price equal to the difference between the closing price of the underlying securities and the exercise price of the representative s warrants by payment of cash, it is possible that the underwriter s warrants will never be settled in shares or issued to the underwriter upon exercise of these underwriter s warrants will be freely tradable.

Preferred Stock

Our Board of Directors is authorized by our Certificate of Incorporation to establish classes or series of preferred stock and the shares of each such class or series and the qualifications, limitations or restrictions thereof without any further vote or acti so issued would have priority over our common stock with respect to dividend or liquidation rights. Any future issuance of pr deferring or preventing a change in our control without further action by our stockholders and may adversely affect the voting At present we have no plans to issue any additional shares of preferred stock or to adopt any new series, preferences or other

The issuance of shares of preferred stock, or the issuance of rights to purchase such shares, could be used to discourage an issuance of a series of preferred stock might impede a business combination by including class voting rights that would enable under certain circumstances, the issuance of preferred stock could adversely affect the voting power of holders of our commo make any determination to issue preferred stock based on its judgment as to the best interests of our stockholders, our Board o acquisition attempt or other transaction that some, or a majority, of our stockholders might believe to be in their best interests premium for their stock over the then market price of such stock. Our Board presently does not intend to seek stockholder app stock, unless otherwise required by law or applicable stock exchange rules.

2006 Stock Option Plan

Our 2006 Stock Option Plan currently authorizes the grant of up to 1,666,667 shares, and the plan provides an evergreen issuable under the will automatically increase on January 1 of each year by 20% of the number of shares of our common stock Under the plan, we may issue restricted stock awards, incentive stock option grants and non-qualified stock option grants. Em directors, consultants or any affiliate are eligible to receive grants under our plans. As of March 31, 2008, there were outstand

Anti-Takeover Effects of Certain Provisions of Delaware Law and Our Certificate of Incorporation and Bylaws

Our Certificate of Incorporation and Bylaws contain a number of provisions that could make our acquisition by means of a more difficult. These provisions are summarized below.

Table of Contents

Staggered Board. Staggered terms tend to protect against sudden changes in management and may have the effect of delay without further action by our stockholders. Our Board of Directors is divided into three classes, with one class of directors ele

Special Meetings. Our Bylaws provide that special meetings of stockholders can be called by the President, at the request o request of holders of at least 50% of the shares outstanding and entitled to vote.

Undesignated Preferred Stock. The ability to authorize undesignated preferred stock makes it possible for our Board of Di rights or preferences that could impede the success of any attempt to acquire us. The ability to issue preferred stock may have changes in control or management of our Company.

Delaware Anti-Takeover Statute. We will be subject to the provisions of Section 203 of the Delaware General Corporation Section 203 prohibits a publicly held Delaware corporation from engaging under certain circumstances in a business combina years following the date the person became an interested stockholder unless:

- Prior to the date of the transaction, the board of directors of the corporation approved either the business combinati becoming an interested stockholder.

- Upon completion of the transaction that resulted in the stockholder becoming an interested stockholder, the stockh corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number who are directors and also officers and (2) shares owned by employee stock plans in which employee participants d whether shares held subject to the plan will be tendered in a tender or exchange offer.

- On or subsequent to the date of the transaction, the business combination is approved by the board and authorized by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock which is not owned b

Generally, a business combination includes a merger, asset or stock sale, or other transaction resulting in a financial benefi stockholder is a person who, together with affiliates and associates, owns or, within three years prior to the determination of i corporation s outstanding voting securities. We expect the existence of this provision to have an anti-takeover effect with res approve in advance. We also anticipate that Section 203 may also discourage attempted acquisitions that might result in a pre stock held by stockholders.

The provisions of Delaware law, our Certificate of Incorporation and our Bylaws could have the effect of discouraging oth consequence, they may also inhibit temporary fluctuations in the market price of our common stock that often result from actu provisions may also have the effect of preventing changes in our management. It is possible that these provisions could make stockholders may otherwise deem to be in their best interests.

Limitation of Director Liability

The Delaware General Corporation Law authorizes corporations to limit or eliminate the personal liability of directors to c damages for breach of the directors fiduciary duty of care. Although the law does not change the directors duty of care, it e to equitable remedies such as an injunction. Our certificate of incorporation limits the liability of directors to us or our stockh Specifically, our directors will not be personally liable to us or our stockholders for monetary damages for breach of a directo

- for any breach of the director s duty of loyalty to us or our stockholders;

Table of Contents

- § for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- § for unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of th
- § for any transaction from which the director derived an improper personal benefit.

Indemnification

To the maximum extent permitted by law, our bylaws provide for mandatory indemnification of directors and officers and against all expense, liability and loss to which they may become subject or which they may incur as a result of being or havin addition, we must advance or reimburse directors and officers, and may advance or reimburse employees and agents, for expe claims.

Transfer Agent, Warrant Agent and Registrar

The transfer agent and registrar for our common stock and warrant agent for the public warrants is Computershare Shareho Computershare Trust Company, N.A., 250 Royall Street, Canton, Massachusetts 02021.

Listing

Our common stock, Class A warrants and Class B warrants are listed on the Nasdaq Capital Market and the Boston Stock

Table of Contents

INCORPORATION BY REFERENCE

The SEC allows us to incorporate by reference information in this prospectus that we have filed with it. This means tha referring you to another document already on file with the SEC. The information incorporated by reference is an important pa superseded by information that is included directly in this prospectus.

We incorporate by reference into this prospectus the following documents:

- our Annual Report on Form 10-KSB/A for the year ended December 31, 2007, filed with the SEC on May 8, 2008 our proxy statement filed with the SEC on April 29, 2008, which we also incorporate by reference into this prospec
- our Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, filed with the SEC on May 15, 2008; ar
- our Current Reports on Form 8-K, filed with the SEC on January 15, 2008; January 29, 2008 (as amended on May 2008; April 30, 2008; and June 6, 2008.

We will provide to each person, including any beneficial owner, to whom a prospectus is delivered, a copy of the reports a in this prospectus, at no cost. Any such request may be made by writing or telephoning us at the following address or phone n

Converted Organics Inc.
Edward J. Gildea
Chief Executive Officer
7A Commercial Wharf West
Boston, MA 02110
Attention: Corporate Secretary
(617) 624-0111

These documents can also be requested through, and are available in , the Investor Relations section of our website, which under Where You Can Find More Information below. The information and other content contained on or linked from our i

LEGAL MATTERS

The validity of the shares of common stock being offered will be passed upon for us by Cozen O Connor, Philadelphia, P

EXPERTS

The consolidated financial statements for the years ended December 31, 2007 and 2006 appearing in our annual report on 2007 and incorporated by reference into this prospectus have been audited by Carlin, Charron & Rosen, LLP, independent reg their report, and are incorporated by reference into this prospectus in reliance upon such report given upon the authority of the

WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement on Form S-1 with the SEC with respect to the common stock, Class A warrants, and This prospectus does not include all of the information contained in the registration statement .. You should refer to the regist information. Whenever we make reference in this prospectus to any of our contracts, agreements or other documents, the refe refer to the exhibits attached to the registration statement for copies of the actual contract, agreement or other document .. We of the Securities Exchange Act of 1934, and accordingly we are required to file annual, quarterly and special reports, proxy st

Table of Contents

You can read our SEC filings, including the registration statement, on the Internet at the SEC s website at *www.sec.gov*. Y
the SEC at its public reference room at 100 F Street, N.E., Washington, D.C. 20549. You can also obtain copies of the docum
Reference Section of the SEC at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for furt
reference room.

Table of Contents

587,258 Shares of Common Stock
293,629 Class A Warrants
293,629 Class B Warrants

PROSPECTUS

June 16, 2008