

GEN RX INC
Form 10-K
March 31, 2009
Table of Contents

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year ended December 31, 2008

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to .

Commission file number: 0-24496

GEN/RX, INC.

(Exact name of registrant as specified in its charter)

New York
(State or other jurisdiction of
incorporation)

11-2728666
(I.R.S. Employer Identification No.)

Edgar Filing: GEN RX INC - Form 10-K

**600 Woodmere Boulevard
Woodmere, New York 11598**

(Address of principal executive offices, including zip code)

(516) 569-3800

(Registrant's telephone number, including area code)

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

None

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

Common Stock, \$0.004 par value per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes

No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934.

Yes

No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes

No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Edgar Filing: GEN RX INC - Form 10-K

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company

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

Yes No

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant as of December 31, 2008 was \$5,525 based on the price last reported in the over-the-counter market on November 15, 2001.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| Class | Outstanding at March 30, 2009 |
|---|-------------------------------|
| Common Stock, \$0.004 par value per share | 20,878,711 shares |

Table of Contents

Caution Regarding Forward-Looking Information

Certain statements contained in this report including, without limitation, statements containing the words believes, anticipates, expects and words of similar import, constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such factors include, among other things, international, national and local general economic and market conditions; demographic changes; the ability of the company to obtain, sustain, manage or forecast its growth; the ability of the Company to successfully make and integrate businesses; fluctuations and difficulty in forecasting operating results; changes in business strategy or development plans; business disruptions and other factors referenced in this and other reports.

Given these uncertainties, you are cautioned not to place undue reliance on such forward-looking statements. The Company disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

Table of Contents

TABLE OF CONTENTS

PART I

- Item 1. Business
- Item 1A. Risk Factors
- Item 1B. Unresolved Staff Comments
- Item 2. Properties
- Item 3. Legal Proceedings
- Item 4. Submission of Matters to a Vote of Security Holders

PART II

- Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities
- Item 6. Selected Financial Data
- Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations
- Item 7A. Quantitative and Qualitative Disclosures About Market Risk
- Item 8. Financial Statements and Supplementary Data
- Item 9. Changes in and Disagreements with Accounts on Accounting and Financial Disclosure
- Item 9A. Controls and Procedures
- Item 9B. Other Information

PART III

- Item 10. Directors and Executive Officers of the Registrant
- Item 11. Executive Compensation
- Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters
- Item 13. Certain Relationships and Related Transactions
- Item 14. Principal Accounting Fees and Services
- Item 15. Exhibits and Financial Statement Schedules

Table of Contents

PART I

Item 1. Business

General

GEN/Rx, Inc. (GEN/Rx or, when referring to GEN/Rx and its subsidiaries, the Company) effectively ceased operations on or about June 30, 1996.

GEN/Rx was originally incorporated as American Veterinary Products, Inc. under the laws of the State of Colorado in 1976. In January 1988, American Veterinary Products, Inc. was acquired by Transmed Express, Inc.(Transmed), a publicly held company incorporated under the laws of the State of New York, in a stock-for-stock transaction. In March 1993, American Veterinary Products, Inc. changed its name to GEN/Rx, Inc.

GEN/Rx was a holding company which, through its subsidiaries, was engaged in the business of developing, manufacturing and distributing generic injectable drugs. GEN/Rx had three wholly-owned subsidiaries: AUSA, Inc. (AUSA), which was sold in June 1996 to the Company's principal stockholder and principal creditor, Apotex Corp. (formerly known as Apotex USA, Inc.; Apotex); American Veterinary Products, Inc. (AVP), which discontinued operations in December 1995; and Collins Laboratories, Inc. (Collins), which has been inactive since its inception.

The Company experienced significant operating losses since its inception resulting in a deficit equity position. The Company has not been engaged in substantive business activity for more than ten years and we have no plans to engage in any substantive business activity in the foreseeable future. The Company continues to consider various business alternatives relating to the Company including, without limitation, commencing new business operations, seeking a purchaser or business combination for the Company and dissolution of the Company.

The commencement of any business endeavor will be preceded by the consideration and adoption of a business plan by our Board of Directors. Due to the limited current and proposed business activities of the Company described herein, it is classified as a blank check company. The Securities and Exchange Commission and many states have enacted statutes, rules and regulations limiting the sale of securities of blank check companies. Management does not intend to undertake any efforts to cause a market to develop in the Company's securities until such time as the Company has successfully developed and implemented a business plan. We are unable to predict at this time when and if the Company may actually participate in any specific business endeavor.

Business History

Edgar Filing: GEN RX INC - Form 10-K

On April 13, 1995, the Company completed the merger (the Merger) of AUSA into and with GEN/Rx Acquisition Subsidiary, Inc., a wholly-owned subsidiary of the Company. As a result of the merger, AUSA, a company engaged in the distribution of injectable drugs, became a wholly-owned subsidiary of the Company.

Table of Contents

Prior to the Merger, AUSA had been a subsidiary of Apotex. As part of the Merger, the Company issued to Apotex 15,353,840 shares of common stock, \$.004 par value (the Common Stock), as a result of which Apotex became the owner of approximately 74% of the outstanding Common Stock of the Company. In addition, the Company issued warrants to certain employees and consultants of Apotex to purchase 270,000 shares of Common Stock of GEN/Rx at a price of \$1.50 per share.

Loan Arrangements

In connection with the Merger, the Company entered into a loan agreement, dated April 13, 1995, with Apotex (the Original Loan Agreement), pursuant to which Apotex agreed to provide the Company with a term loan in the principal amount of \$500,000 evidenced by a term note (the Term Note) and a revolving line of credit loan in the principal amount of \$2 million evidenced by a revolving line of credit note (the Revolving Note) and together with the Term Note, the Notes). Interest on the amounts outstanding under the Notes was at the rate of 1% per annum over the prime rate and was payable on the first business day of each March, June, September and December. The Company's repayment of the loans was secured by all of the assets of the Company. The Notes had an original maturity date of April 13, 1998. In connection with the loans, Apotex received warrants to purchase a number of shares of the Company's Common Stock in an amount equal to one share for each dollar advanced under the Loan Agreement at an exercise price of \$1.00 per share. These warrants have expired.

On November 29, 1995, the Company and Apotex entered into an amendment to the Original Loan Agreement (the Amended Loan Agreement) to provide for additional advances. Under the Amended Loan Agreement, Apotex agreed from time to time, in its sole discretion, to advance to the Company additional sums in excess of the aggregate principal amount under the Notes of \$2.5 million which sums would be due on demand or, in any event, on or prior to December 22, 1995, and which sums would otherwise be treated as if they had been advanced pursuant to the Original Loan Agreement. Additional advances to the Company through December 31, 1995 totaled approximately \$325,000. The Company agreed that failure to repay the amounts when due would constitute a default under the Amended Loan Agreement. In connection with the Amended Loan Agreement, the Company also issued to Apotex warrants to purchase an additional 813,783 shares of the Company's Common Stock at an exercise price of \$.75 per share. These warrants have expired.

At December 31, 1995, the Company was indebted to Apotex in the amount of approximately \$3,563,000, including \$447,000 of accounts payable which had been converted to notes pursuant to the Amended Loan Agreement. The Company's failure to pay amounts due on December 22, 1995 constituted an event of default under the Amended Loan Agreement and Apotex notified the Company that it was accelerating the entire amount of indebtedness of the Company. As a result of the acceleration, on January 5, 1996, the Company turned over to Apotex all of the collateral securing the loans under the Loan Agreement, as amended, including AVP's manufacturing plant in Fort Collins, Colorado. The Company continued to receive additional advances from Apotex in 1996 which aggregated \$862,000. The Company issued to Apotex warrants to purchase an additional 498,032 shares of the Company's Common Stock at an exercise price of \$.75 per share. These warrants have expired.

Table of Contents

In January 1996, Apotex sought and received the appointment of a receiver for AVP's Fort Collins manufacturing plant in a proceeding before the Federal District Court in Larimer County, Colorado. The order permitted the receiver to exercise control over AVP's bank accounts, accounts receivable and inventory. As a result of the Amended Loan Agreement and the appointment of a receiver, AVP stopped receiving any advances under the Apotex loans and was forced to discontinue operations. See Item 1. Business - Discontinued Operations of AVP below. The receiver liquidated substantially all of AVP's assets at its three locations in or near Fort Collins, Colorado, for proceeds aggregating approximately \$670,000 which proceeds were used for the disposal of hazardous and other wastes at the Fort Collins manufacturing plant and for continued care of AVP's inventory and other payroll and non-payroll related expenses. Upon final order of the Court, dated September 22, 1998, directing final payments from the court supervised account, all remaining cash in the account, amounting to approximately \$40,000 was paid to Apotex as the principal creditor. In addition, pursuant to the Amended Loan Agreement, accounts receivable of AUSA were assigned to Apotex and collections thereof were deposited into the bank accounts of Apotex. Apotex subsequently purchased all of the outstanding capital stock of AUSA on July 1, 1996. See Item 1. Business - Sale of AUSA below. At June 30, 1996, the Company was indebted to Apotex for an aggregate of \$5,296,659 (before the sale of AUSA) including \$747,423 of accounts payable converted to additional debt pursuant to the Amended Loan Agreement.

In January 1997, the Fort Collins manufacturing plant was conveyed to Apotex by deed in lieu of foreclosure proceedings. In May 1997, Apotex sold the Fort Collins plant to an unrelated third party for \$365,000 in cash and a promissory note in the amount of \$100,000, bearing interest at the rate of 10% per annum, payable monthly, which note was paid to Apotex in full on the one-year anniversary of such sale. Nonetheless, even after Apotex's receipt of such proceeds from the liquidation of the Company's assets and sale of the Fort Collins property, the Company remained indebted to Apotex in the amount of approximately \$4.4 million at June 30, 1997.

As of December 31, 2008, the Company remains indebted to Apotex in the amount of approximately \$4.4 million.

Sale of AUSA

In February 1996, in light of the Company's losses, the Company retained the services of the investment banking firm Hill Thompson Capital Markets, Inc. (Hill Thompson), to assist management in its efforts to identify steps and strategies to reduce losses, generate returns on the Company's assets and maximize shareholder value. Hill Thompson recommended the sale of AUSA, identified potential purchasers for AUSA, prepared a confidential descriptive memorandum and sought to solicit interest in AUSA on behalf of the Company. Hill Thompson was not successful in identifying any interested parties.

On June 28, 1996, the Company held an auction to sell all of the issued and outstanding shares of AUSA common stock which were subject to a perfected security interest in favor of Apotex. The auction was held at the offices of Hill Thompson and the minimum bid price for the AUSA shares was set at \$1 million. Apotex was the only bidder at the auction bidding the minimum bid price of \$1 million. The sale was consummated on July 1, 1996. Apotex's acquisition of AUSA from the Company resulted in a reduction of the Company's indebtedness in favor of Apotex by

Table of Contents

\$1 million. At September 30, 1996, after the sale of AUSA to Apotex, the Company's indebtedness to Apotex totaled approximately \$4.4 million, all of which was due and payable.

Former Operations of AVP

In connection with an inspection by the U.S. Food and Drug Administration (FDA) of AVP's manufacturing plant from October 1994 through May 1995, AVP received a warning letter from the Denver District Office of the FDA setting forth certain alleged deviations from current good manufacturing practice regulations (GMPs) and alleged violations of related provisions of the Federal Food, Drug and Cosmetic Act.

In June 1995, following new management's investigation of the matters set forth in the warning letter, management suspended indefinitely the manufacture of its products. In December 1995, management determined to discontinue the operations of AVP upon concluding that the time and financial commitment required to rehabilitate AVP's operations made it economically unfeasible to do so. In connection with management's decision to discontinue the operations of AVP, the Company laid-off substantially all of its personnel at this facility and recorded a provision of \$5,646,000 in its 1995 financial statements.

Present Lack of Operations

The Company has not conducted any business operations since the sale of AUSA on June 30, 1996. All activities of the Company after such date related principally to the liquidation of the AVP assets by the receiver and the sale of the Fort Collins manufacturing plant.

The Company does not have any employees or executive officers other than Jack Margareten, who serves as part-time Acting President and Chief Financial Officer. The Company's Board of Directors has four seats, three of which are vacant. Jack Margareten is the sole director of the Company. Mr. Margareten was appointed sole director and elected as Acting President of the Company and its subsidiaries in May 2001 after then-President, Chief Executive Officer and sole director Jack M. Schramm resigned from such positions. Mr. Schramm also served as President of both Apotex, which owns approximately 74% of the Company, and AUSA, a former subsidiary of the Company acquired by Apotex effective July 1, 1996. Mr. Margareten, who, prior to May 1997, served as Chief Financial Officer of the Company and Apotex, also replaced Mr. Schramm as Acting President of Apotex in May 1997.

After the Company was placed in receivership and AUSA was sold to Apotex, periodic reports under the Securities Exchange Act of 1934, as amended (the Exchange Act) relating to the Company were no longer filed with the Securities and Exchange Commission. Reports for the period from December 31, 1996 through September 30, 2002 were filed on May 23, 2003. Subsequent reports have been filed on a current basis.

Financial Statements Presentation

Edgar Filing: GEN RX INC - Form 10-K

With respect to the Company's financial information set forth in this Annual Report relating to the years ended December 31, 2008 and 2007, the financial statements are presented on a liquidation basis.

Table of Contents

Potential Conflicts of Interest

Mr. Margareten, the Company's Acting President and Chief Financial Officer is not required to commit his full time to the affairs of the Company. As a result, pursuing new business opportunities, if considered, may require a greater period of time than management may devote. Management has not identified and is not currently negotiating any new business opportunity and would only do so upon the adoption by the Board of Directors of a business plan. In the event that a conflict of interest arises, management will consider relevant factors and issues and will act in a manner which it believes will be in the best interests of the stockholders of the Company.

Item 1A. Risk Factors

The Company's business is subject to numerous risk factors including the following:

The Company has no operating history, no revenues and only minimal assets.

The Company has virtually no assets or financial resources and has had no operating history nor any revenues or earnings from operations for the past ten years. The Company will, in all likelihood, incur operating expenses without corresponding revenues, at least until it consummates a business combination assuming that is the course we choose. There can be no assurance that, if we choose to seek a business combination, that we will be successful in identifying a party with which to undertake such combination and that we will be able to consummate such a combination on acceptable terms.

The Company is deemed to be a blank check company.

The limited operations of the Company, as now contemplated, involve those of a blank check company. The only activities to be conducted by our Company are managing current limited assets and seeking out and investigating the commencement or the acquisition of any viable business opportunity by purchase or exchange for securities of our Company or pursuant to a reorganization or merger through which securities of our Company will be issued or exchanged.

We are controlled by one stockholder.

We are controlled by Apotex, our majority stockholder, and our sole officer and director is affiliated with Apotex. Since Apotex owns 73% of our common stock and controls our Board such control could prevent the taking of certain actions that may be beneficial to other stockholders.

We may have potential business conflicts of interest.

Mr. Margaretten, the Company's Acting President and Chief Financial Officer is not required to commit his full time to the affairs of the Company. As a result, pursuing new business opportunities, if considered, may require a greater period of time than if management would devote their full time to the Company's affairs. Management has not identified and is not currently negotiating any new business opportunity and would only do so upon the adoption by the Board of Directors of a business plan. In the event that a conflict of interest arises,

Table of Contents

management will consider relevant factors and issues and will act in which it believes will be in the best interests of the stockholders of the Company.

There is no market for the Company's common stock and none may develop or be sustained.

There is currently no established trading market for our common stock and there can be no assurance that such a market will ever develop or, if developed, will be sustained. Any market price for shares of our Company's common stock would likely be very volatile and numerous factors beyond the control of our Company may have a significant effect. In addition, the stock markets generally have experienced and continue to experience extreme price and volume fluctuations which have affected the market price of many small capital companies.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The Company does not lease or own any real property. For purposes of this Annual Report, the Company's office is c/o Jack Margareten, its Acting President and Chief Executive Officer and Chief Financial Officer, at 600 Woodmere Boulevard, Woodmere, New York 11598.

Item 3. Legal Proceedings

The Company is not currently a party to any legal proceedings. However, the Company is indebted to Apotex in the amount of approximately \$4.4 million and has previously had a receiver appointed for its subsidiary, AVP. See Item 1. Business Loan Arrangements above.

As a result of the failure to timely file reports under the Exchange Act relating to the Company since the Company's cessation of operations in 1996, the Securities and Exchange Commission may, in its discretion, institute one or more actions against the Company and/or its officers and directors (and former officers and directors) seeking monetary or other penalties that may be imposed under the Exchange Act. Any such penalties could materially adversely affect the Company.

Item 4. Submission of Matters to a Vote of Security Holders

Edgar Filing: GEN RX INC - Form 10-K

No matters were submitted to a vote of the security holders of the Company through the solicitation of proxies or otherwise during the fiscal year ended December 31, 2008.

Table of Contents

PART II

Item 5. Market For Common Equity And Related Stockholder Matters And Issuer Purchases Of Equity Securities

The Company's Common Stock is traded in the Over-the-Counter Bulletin Board (the "OTCBB") and is quoted on the "Pink Sheets" under the ticker symbol GNRX.PK. There is no established public trading market for the Common Stock. There can be no assurance that a trading market will ever develop or, if such a market does develop, that it will continue.

As of the date of this report, the most recent trade date for the Common Stock was November 15, 2001, on which date 1,100 shares were sold for \$0.001 per share.

As of December 31, 2008, and the date of this report, there were approximately 224 holders of record of the Company's Common Stock.

The Company has not paid cash dividends on its Common Stock since inception. The payment of future dividends on its Common Stock is subject to the discretion of the Board of Directors and is dependent on many factors, including whether the Company establishes operations.

The Company has no equity compensation plans at this time.

Item 6. Selected Financial Data (in thousands, except per share amounts)

After the sale of all remaining assets of the Company on June 30, 1996, and for the fiscal years ended December 31, 2002 through 2008, the Company adopted the liquidation basis of accounting. The selected financial data presented below is, on a liquidation basis, as of December 31, 2008, 2007, 2006, 2005 and 2004. The selected financial data set forth below should be read in conjunction with, and are qualified by reference to, the consolidated financial statements of the Company, and notes thereto, and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this Annual Report. The selected financial data as of December 31, 2008 and 2007 (liquidation basis) are derived from the consolidated audited financial statements of the Company, including the notes thereto, included elsewhere in this Annual Report.

| | 2008 | 2007 | December 31, | | 2005 | 2004 |
|---|-------|-------|--------------|----|------|-------|
| | | | 2006 | | | |
| Consolidated Statements of Net Assets (liquidation basis) | | | | | | |
| Total Assets | \$ 30 | \$ 30 | \$ 30 | \$ | 31 | \$ 37 |
| Net Assets in Liquidation | 0 | 0 | 0 | | 0 | 0 |

Table of Contents

Item 7. Management's Discussion And Analysis Of Financial Condition And Results Of Operations

Overview

With respect to the Company's financial information set forth in this Annual Report on Form 10-K for the fiscal years ended December 31, 2008, the financial statements are presented on a liquidation basis. The Company has not conducted any business operations since the sale of its wholly-owned subsidiary, AUSA, on June 30, 1996. No comparison is made in this report for the fiscal years ended December 31, 2008, 2007 and 2006 because there were no operations in 2008, 2007 and 2006.

The Company has adopted the liquidation basis of accounting and, accordingly, the net assets of the Company are stated at their estimated net realizable values and liabilities which include estimated liquidation expenses to be incurred through the date of final dissolution of the Company reflected at their anticipated settlement amounts.

Liquidity and Capital Resources

At December 31, 2008 and at present, the Company has cash of \$30,000 and liabilities in the nature of long term debt to Apotex of approximately \$4.4 million and lacks the liquidity to carry on any business activities. The Company has virtually no assets and no capital resources. Effective June 30, 1996, the Company ceased all business operations upon the sale of AUSA to Apotex. All activities of the Company after such date have related principally to the liquidation by the receiver of the AVP assets and the sale of AVP's Fort Collins manufacturing plant. We continue to consider various business alternatives relating to the Company including, without limitation, commencing new business operations, seeking a purchaser or business combination for the Company and dissolution of the Company. The commencement of any business endeavor will be preceded by the consideration and adoption of a business plan by our Board of Directors. Due to the limited current and proposed business activities of the Company described herein, it is classified as a "blank check" company. The Securities and Exchange Commission and many states have enacted statutes, rules and regulations limiting the sale of securities of blank check companies. Management does not intend to undertake any efforts to cause a market to develop in the Company's securities until such time as the Company has successfully developed and implemented a business plan. We are unable to predict at this time when and if the Company may actually participate in any specific business endeavor.

Historically, while the Company was engaged in operations, it was dependent on Apotex for financing. At September 1996, after the sale of AUSA to Apotex, the Company was indebted to Apotex in the amount of approximately \$4.4 million. Since 1996, the Company has not made any payments to Apotex on this debt. Apotex has not charged interest on the indebtedness and has not instituted any legal proceedings for collection. It is not expected that Apotex will advance any additional funds to the Company and the Company presently has no available financing alternatives. Notwithstanding the previous sentence, the costs and expenses related to the

Table of Contents

preparation and filing of this Annual Report (including, but not limited to, legal and accounting fees) and the other Exchange Act reports being filed by the Company in an effort to comply with the Exchange Act, have been and are expected to be paid by Apotex. The Company currently has outstanding costs and fees of approximately \$3,900 for services rendered to it in fiscal year 2008.

As of December 31, 2008, the Company remains indebted to Apotex in the amount of approximately \$4.4 million.

Off-Balance Sheet Arrangements

As of December 31, 2008, we did not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K promulgated under the Securities Act of 1934, as amended.

Contractual Obligations and Commitments

As of December 31, 2008, we did not have any contractual obligations or commitments other than our outstanding debt described under Liquidity above and under Item 1. Business Loan Arrangements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the sensitivity of income to changes in interest rates, foreign exchanges, commodity prices, equity prices and other market-driven rates or prices. We are not presently engaged in any substantive commercial business. Accordingly, we are not and, until such time as we consummate a business combination, we will not be, exposed to risks associated with foreign exchange rates, commodity prices, equity prices or other market-driven rates or prices.

Item 8. Financial Statements And Supplementary Data

The Company's consolidated Financial Statements appear on Pages F-1 through F-8. See Index to Financial Statements after the signature page.

Item 9. Changes In And Disagreements With Accountants On Accounting And Financial Disclosure

Not applicable.

Item 9A(T). Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed pursuant to the Securities Exchange Act of 1934, as amended (the Exchange Act) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules, regulations and related forms and that such information is accumulated to allow timely decisions regarding required disclosure. Our sole officer and director conducted an evaluation of our disclosure controls and procedures, as such term is

Table of Contents

defined in Rule 13a-15(e) under the Exchange Act as of the end of the period covered by this report. Based on this evaluation, our sole officer, acting principal executive officer and acting principal financial officer, concluded that our disclosure controls and procedures were not effective to provide reasonable assurance that information required to be summarized and reported within the time periods specified in the SEC's rules and forms, and is accumulated as appropriate to allow timely decisions regarding required disclosures.

Management's Annual Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of the Company's management and Board of Directors; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Therefore, even those systems determined to be effective can provide only reasonable assurance of achieving their control objectives.

Management evaluated the effectiveness of the Company's internal controls over financial reporting as of December 31, 2008. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control Integrated Framework.

At the current time, the Company's acting principal executive officer, who is also the acting principal financial officer, has responsibility for the limited activities of maintaining the Company's bank account, preparing the financial statements and preparing public filings. Given that the Company has not had operations for over ten years and only has assets in the amount of approximately \$30,000, the hiring of additional personnel to conduct these limited activities would cause undue financial hardship. However, reliance on these limited resources impairs our ability to provide for proper segregation of duties and to ensure consistently complete and accurate financial reporting.

The Company's acting principal executive officer, who is also the acting principal financial officer, has assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2008. In conducting his evaluation, our acting principal executive officer, who is also our acting principal financial officer and is the Company's sole director, determined that with only one officer who is also the only director, the Company has no segregation of functions or duties and, as such, there is a material weakness in the Company's internal controls

Table of Contents

over financial reporting. The Company's size has prevented us from being able to employ sufficient resources to enable us to have an adequate level of supervision and segregation of functions within our internal control system resulting in an absence of the necessary checks and balances allowed by greater corporate accounting resources. As a result of this material weakness, management has concluded that our internal control over financial reporting was not effective as of December 31, 2008.

This Annual Report on Form 10-K does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to temporary rules of the SEC that permit us to provide only management's report in this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the period covered by the Form 10-K that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Internal Control

In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Item 9B. Other Information

Not applicable.

Table of Contents**PART III****Item 10. Directors And Executive Officers Of The Registrant**

The name, age and position held in the Company by its executive officer and director as of the date of this Report is as follows:

| Name | Age | Position |
|-----------------|------------|---|
| Jack Margareten | 55 | Acting President and Chief Executive Officer, Chief Financial Officer and sole Director |

Prior to May 1997, Jack H. Schramm, then 48, was sole Director of the Company and Acting President and Chief Executive Officer of the Company. Mr. Schramm had served as a Director of the Company since April 13, 1995 and as Acting President and Chief Executive Officer of the Company since January 1996. Mr. Schramm was a Director of Apotex, the Company's principal stockholder and principal creditor, from 1993 to May 1997. From 1993 through January 1996, Mr. Schramm was Executive Vice President of Apotex and from January 1996 to May 1997, President of Apotex. From 1991 to 1993, Mr. Schramm was a financial and international marketing consultant to Genpharm, a Canadian pharmaceutical company. From 1982 to 1990, Mr. Schramm was Senior Vice President of Joffe Lasalle Company, a Manhattan commercial real estate firm.

On May 1, 1997, Jack Margareten, then Chief Financial Officer of the Company and Apotex, replaced Mr. Schramm as sole Director and Acting President of the Company and Apotex. Mr. Margareten has been Chief Financial Officer of the Company since April 1996. Mr. Margareten's services for the Company have been performed on a part-time, as needed basis since the Company's cessation of operations in June 1996. Since December 26, 1999, Mr. Margareten has served in a full-time capacity as Chief Operating Officer of Fashion Accessory Bazaar, LLC, a privately held company. Prior to such date, Mr. Margareten was self-employed in personal investments.

Due to the Company's lack of operations and its limited management, the Company does not have standing audit, nominating or compensation committees or charters for such committees. We do not have an audit committee of our Board of Directors nor do we have an audit committee financial expert, because we do not believe the nature of our activities is such that an audit committee or audit committee financial expert would be useful or necessary. Furthermore, our equity securities are not listed on an exchange or automated quotation system that requires its listed companies to appoint an audit committee. Similarly, our limited management and limited compensation to it do not require nominating or compensation committees.

The Company has not yet adopted a Code of Ethics for our executive officer as of December 31, 2008. The Board of Directors anticipates that it will adopt a Code of Ethics upon adopting a business plan.

Table of Contents

Item 11. Executive Compensation

As previously described above under Item 1. Business, in December 1995, the Company discontinued the operations of AVP and laid off its AVP employees and in June 1996, the Company sold AUSA to Apotex. As a result, the Company has no business operations and does not employ any full-time employees or executive officers for compensation and, as such, the Company does not have a standing compensation committee. Jack Margareten is Chief Financial Officer and Acting President of the Company and, since the Company's cessation of operations in June 1996, has been compensated by Apotex for any services rendered on behalf of or for the Company. Such services and related compensation have been nominal but he is also reimbursed for medical insurance premiums of approximately \$1,700 per month. Accordingly, there is no compensation table shown for the fiscal years ended December 31, 2008, 2007 or 2006.

Employment Agreements

The Company does not have any employment agreements.

Stock Option Grants in 2008

The Company did not make any stock option grants in fiscal year 2008.

Directors Compensation

The Company's sole director, who is also its sole officer and employee, is not compensated and does not receive expense reimbursement for his service as a director.

Compensation Committee Interlocks and Insiders Participation

The Company's sole executive officer has not served on the Board of Directors or on the Compensation Committee of any other entity, any of whose officers served on the Board of Directors of the Company.

Compliance with Section 16(a) of the Securities Exchange Act of 1934

Edgar Filing: GEN RX INC - Form 10-K

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's officers and directors, and persons who own more than 10% of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission, copies of which are required by regulation to be furnished to the Company.

Based solely on review of the copies of such forms furnished to the Company (if any), the Company believes that during fiscal year 2008 its sole officer and director and ten percent (10%) beneficial owners complied with all Section 16(a) filing requirements.

Item 12. Security Ownership Of Certain Beneficial Owners And Management And Related Shareholder Matters

The following table provides information regarding beneficial ownership of the Company's Common Stock as of December 31, 2008: (i) by each person who owns or is known by the Company to own beneficially five (5%) percent or more of the Company's outstanding Common

Table of Contents

Stock; (ii) by all directors; and (iii) by all directors and executive officers of the Company as a group.

| Name and Address of Beneficial Owner | Shares Owned Beneficially and Of Record (1) | Percentage of Outstanding Shares Of Common Stock |
|---|---|--|
| Apotex USA, Inc. c/o Jack Margareten 600 Woodmere Boulevard Woodmere, NY 11598 | 15,353,840 | 73.5 % |
| John R. Toedtman(2) 11 Birch Drive Basking Ridge, NJ 07920 | 1,073,003 | 5.7 % |
| Jack Margareten 600 Woodmere Boulevard Woodmere, NY 11598 | 0 | * |
| All Executive Officers and Directors (1 person) | 0 | * |

*Less than 1%

(1) Pursuant to Rule 13d-3 under the Securities Exchange Act of 1934, as amended, beneficial ownership of a security consists of sole or shared voting power (including the power to vote or direct the voting) and/or sole or shared investment power (including the power to dispose or direct the disposition) with respect to a security whether through a contract, arrangement, understanding, relationship or otherwise. Unless otherwise indicated, herein, each person has sole power to vote or dispose or direct the disposition of the shares owned beneficially.

(2) John Toedtman served as President of the Company and each of its subsidiaries from April 13, 1995 through January 8, 1996, and as a director of the Company, AVP and Collins for each of 1995 and 1994. Effective January 8, 1996, Mr. Toedtman resigned from all capacities served with the Company.

Item 13. Certain Relationships And Related Transactions

On April 13, 1995, the Company completed the merger (the Merger) of AUSA into and with GEN/Rx Acquisition Subsidiary, Inc., a wholly-owned subsidiary of the Company. As a result of the merger, AUSA, a company engaged in the distribution of injectable drugs, became a wholly-owned subsidiary of the Company.

Prior to the Merger, AUSA had been a subsidiary of Apotex. As part of the Merger, the Company issued to Apotex 15,353,840 shares of common stock, \$.004 par value (the Common Stock), as a result of which Apotex became the owner of approximately 74% of the outstanding Common Stock of the Company. In addition, the Company issued warrants to certain employees

Table of Contents

and consultants of Apotex to purchase 270,000 shares of Common Stock of GEN/Rx at a price of \$1.50 per share.

Since the former stockholders of AUSA own 74% of the Company, the transaction was accounted for as if AUSA acquired the net assets of the Company for the previously issued and outstanding shares of Common Stock of the Company.

In connection with the Merger, Apotex made certain loans to the Company. See Item 1. Business Loan Arrangements above for a full description of such loan arrangements. As more fully described above, the Company failed to pay amounts due under the loan arrangements which resulted in acceleration of the debt by Apotex, appointment of a receiver for the assets of one of the Company's subsidiaries, AVP and the turn over to Apotex of all of the other collateral securing the loans. AVP subsequently discontinued operations. The accounts receivable of AUSA were assigned to Apotex and collections thereof were deposited into the bank accounts of Apotex and on June 30, 1996, Apotex purchased from the Company at an auction all of the outstanding shares of AUSA for \$1 million. At December 31, 2008, the Company remained indebted to Apotex in the amount of approximately \$4.4 million.

Since the Company's cessation of operations in June 1996, Jack Margareten, the Company's Chief Financial Officer and Acting President, has been compensated by Apotex for any services rendered or out of pocket expenses incurred on behalf of or for the Company. Such services and related compensation have been nominal but he is also reimbursed for medical insurance premiums in the amount of approximately \$1,700 per month. It is not expected that Apotex will charge the Company for such expenses.

Item 14. Principal Accountant Fees and Services

The firm of Eisner LLP acts as our independent registered public accountants. The following is a summary of fees paid to our principal accountant for services rendered.

Audit Fees

For the fiscal year ended December 31, 2008, the fees for our independent registered public accountants were \$33,000 in connection with the audit of our financial statements for the year ended December 31, 2008 and the review of our interim financial statements for each of the quarters ended March 31, 2008, June 30, 2008 and September 30, 2008.

Audit Related Fees

During fiscal year 2008, our independent registered public accountants did not render assurance and related services reasonably related to the performance of the audit or review of financial statements.

Tax Fees

During fiscal year 2008, our independent registered public accountants did not render services to us for tax compliance, tax advice and tax planning.

All Other Fees

During fiscal year 2008, there were no fees billed for products and services provided by our independent registered public accountants other than those set forth above.

Table of Contents

Audit Committee Approval

We currently do not have an audit committee. Our Board of Directors approved the engagement of Eisner LLP as our independent registered public accounting firm by action taken as of March 23, 2009.

Table of Contents

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) and (2) Financial Statements

See Index to Financial Statements beginning on page F-1.

(a)(3) Exhibits.

2.5 Amended and Restated Master Agreement, dated April 13, 1995. (Filed as Exhibit 2.5 to the Company's Annual Report on Form 10-K, as amended, for the fiscal year ended December 31, 1995.)

2.7 Plan and Agreement of Merger, dated April 13, 1995. (Filed as Exhibit 2.7 to the Company's Annual Report on Form 10-K, as amended, for the fiscal year ended December 31, 1995.)

2.25 Verified Complaint for Appointment of Receiver in Case No. 96CV3 Apotex USA Inc. v. American Veterinary Products Inc. (Filed as Exhibit 2.25 to the Company's Annual Report on Form 10-K, as amended, for the fiscal year ended December 31, 1995.)

2.27 Order Appointing Receiver in Case No. 96CV3 Apotex USA Inc. v. American Veterinary Products Inc. (Filed as Exhibit 2.27 to the Company's Annual Report on Form 10-K, as amended, for the fiscal year ended December 31, 1995.)

2.28 First Amended Complaint in Case No. 96CV3 Apotex USA Inc. v. American Veterinary Products Inc. and 1st Choice Bank. (Filed as Exhibit 2.28 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.)

2.29 1st Choice Bank's Answer, Counterclaim and Amended Cross Claim in Response to First Amended Complaint in Case No. 96CV3 Apotex USA Inc. v. American Veterinary Products Inc. and 1st Choice Bank. (Filed as Exhibit 2.29 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.)

Edgar Filing: GEN RX INC - Form 10-K

2.30 Stipulation Authorizing Sales of Assets, dated June 7, 1996 by Receiver, Apotex USA, Inc. and 1st Choice Bank and Order approving Stipulation, dated June 7, 1996 in Case No. 96CV3 Apotex USA Inc. v. American Veterinary Products Inc. and 1st Choice Bank. (Filed as Exhibit 2.30 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.)

2.31 Order Regarding Payment of Certain Expenses in Case No. 96CV3 Apotex USA Inc. v. American Veterinary Products Inc. and 1st Choice Bank. (Filed as Exhibit 2.31 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.)

2.32 Final Report of Receiver in Case No. 96CV3 Apotex USA Inc. v. American Veterinary Products Inc. and 1st Choice Bank. (Filed as Exhibit 2.32 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.)

Edgar Filing: GEN RX INC - Form 10-K

Table of Contents

2.33 Order dispersing funds and dismissing all claims between Apotex and First Choice in Case No. 96CV3 Apotex USA Inc. v. American Veterinary Products Inc. and 1st Choice Bank and attaching Settlement Agreement. (Filed as Exhibit 2.33 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.)

10.2 Separation and Release Agreement, dated as of November 6, 1996, among Jack Schramm and Apotex USA Inc., GEN/Rx, Inc. and Apotex USA Injectables, Inc. (f/k/a AUSA, Inc.). (Filed as Exhibit 10.2 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.)

10.3 Addendum No. 1, dated as of April 21, 1997, to Separation and Release Agreement, dated as of November 6, 1996, among Jack Schramm and Apotex USA Inc., GEN/Rx, Inc. and Apotex USA Injectables, Inc. (f/k/a AUSA, Inc.). (Filed as Exhibit 10.3 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.)

16 Letter regarding change in accountants. (Filed as an exhibit to the Company's Current Report on Form 8-K dated July 10, 1995.)

21 Subsidiaries of the Company filed herewith

31 Rule 13a-14(a)/15d-14(a) Certification filed herewith

32 Section 1350 Certification filed herewith

Table of Contents

SIGNATURES

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

Dated: March 31, 2009

GEN/Rx, Inc.

By: /s/ Jack Margaretten
Jack Margaretten
Acting President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|--|----------------|
| /s/Jack Margaretten Jack Margaretten | Acting President and Chief Executive Officer, Chief Financial Officer and Sole Director | March 31, 2009 |

Table of Contents

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE
FILED WITH THE ANNUAL REPORT OF THE COMPANY ON FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2008**

| | |
|---|-----|
| <u>Report of Independent Registered Public Accounting Firm</u> | F-1 |
| <u>Consolidated Statements of Net Assets (liquidation basis) as of December 31, 2008 and December 31, 2007</u> | F-2 |
| <u>Consolidated Statements of Changes in Net Assets (liquidation basis) for the fiscal years ended December 31, 2008, December 31, 2007 and December 31, 2006</u> | F-3 |
| <u>Notes to Consolidated Financial Statements</u> | F-4 |

Other financial statement schedules are omitted because the conditions requiring their filing do not exist or the information required thereby is included in the financial statements filed, including the notes thereto

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Director and Stockholders

GEN/Rx, Inc.

We have audited the accompanying consolidated statements of net assets (liquidation basis) of GEN/Rx, Inc. and subsidiaries as of December 31, 2008 and 2007 and the related consolidated statements of changes in net assets (liquidation basis) for each of the years in the three-year period ended December 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits include consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note A[3] to the financial statements, the Company reports on the liquidation basis of accounting.

In our opinion, the financial statements enumerated above present fairly, in all material respects, the consolidated net assets (in liquidation) of GEN/Rx, Inc. and subsidiaries as of December 31, 2008 and 2007 and the changes in their consolidated net assets (in liquidation) for each of the years in the three-year period ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America applied on the basis of accounting described in the preceding paragraph.

/s/Eisner LLP

New York, New York

March 31, 2009

Table of Contents

GEN/RX, INC. AND SUBSIDIARIES

Consolidated Statements of Net Assets

(liquidation basis) Note A(3)

(in thousands, except shares and

per share amounts)

| | December 31, | |
|---|--------------|-------|
| | 2008 | 2007 |
| ASSETS | | |
| Cash | \$ 30 | \$ 30 |
| LIABILITIES | | |
| Obligations (Notes A[(3)] and B) | \$ 30 | \$ 30 |
| Commitments and contingencies | | |
| Net assets in liquidation | \$ 0 | \$ 0 |
| Net assets in liquidation per common share (based on 20,878,711 common shares outstanding (including 2,064,966 shares to be issued) in 2008 and 2007) | \$ 0 | \$ 0 |

See notes to financial statements.

Table of Contents

GEN/RX, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Net Assets

(liquidation basis) Note A(3)

(in thousands)

| | 2008 | | December 31, 2007 | | 2006 | |
|---|------|---|----------------------|---|------|---|
| Net assets - beginning of year | \$ | 0 | \$ | 0 | \$ | 0 |
| Net assets in liquidation - end of year | \$ | 0 | \$ | 0 | \$ | 0 |

See notes to financial statements.

Table of Contents

GEN/RX, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note A - The Company

GEN/Rx, Inc. (GEN/Rx) is an inactive shell company with two wholly-owned subsidiaries, American Veterinary Products Inc. (AVP), which discontinued operations in December 1995 and Collins Laboratories, Inc., which has never been active (Collins).

[1] AUSA:

Historically, GEN/Rx had another wholly-owned subsidiary, AUSA, Inc. (AUSA). On July 1, 1996, pursuant to an auction, GEN/Rx sold its shares of the capital stock of AUSA in exchange for forgiveness of \$1 million of indebtedness owed to Apotex USA Inc., now known as Apotex Corp. (Apotex), a Delaware corporation and the Company s principal stockholder and principal creditor.

Although Apotex s acquisition of AUSA from the Company resulted in a reduction of the Company s indebtedness to Apotex, approximately \$4.4 million of indebtedness remains outstanding after the sale. Apotex has not charged interest on the outstanding indebtedness and, as such, Gen/Rx has not accrued for interest. Also, Gen/Rx has not received notice of any penalties.

[2] AVP:

AVP was put into receivership in January 1996 by Apotex, its principal secured creditor.

The receiver liquidated all of AVP s assets and used the proceeds therefrom for disposal of hazardous and other wastes at AVP s property and for continued care of AVP s inventory. Upon final court order, after all liabilities of the receivership were paid, all remaining cash was paid to Apotex. No provision or liability has been recorded for potential environmental or other costs associated with the sale of AVP s property.

[3] Basis of presentation:

The Company presents its financial status and the changes in its financial status on the liquidation basis of accounting. Accordingly, the net assets of the Company are stated at liquidation value, whereby assets are stated at their estimated net realizable values and liabilities, which include estimated liquidation expenses to be incurred through the date of final dissolution of the Company, are stated at their anticipated

Edgar Filing: GEN RX INC - Form 10-K

settlement amounts. The Company has total obligations of approximately \$4.4 million and net assets of \$30,000. Accordingly, the liabilities reflected on the consolidated statement of net assets represents solely the amounts for which the Company has available assets.

Note B - Notes Payable - Apotex

The Company and Apotex, the principal stockholder and principal creditor of the Company, entered into certain lending arrangements under a loan agreement, pursuant to which Apotex

F-4

Table of Contents

loaned the Company \$500,000 in the form of a term loan and \$2 million in the form of a revolving line of credit loan. Both loans were evidenced by promissory notes and matured on April 13, 1998. The Company failed to pay certain accrued and unpaid interest when due under the loans.

The Company's repayment of the loans was secured by all of the assets of the Company, including AVP's manufacturing plant in Fort Collins, Colorado. As additional consideration for the loans, the Company issued in favor of Apotex, warrants to purchase 2,500,000 shares of the Company's common stock at an exercise price of \$1 per share. These warrants expired unexercised.

Subsequently, the Company and Apotex amended the loan agreement to permit Apotex, in its discretion to advance sums in excess of the \$2.5 million which additional amounts would be due on demand or, in any event, on or prior to December 22, 1995, but would otherwise be treated as if they had been advanced pursuant to the original loan agreement. The Company requested additional advances and Apotex advanced to the Company approximately \$325,000. The Company also agreed that failure to repay the amounts when due would constitute a default under the amended loan agreement. In connection with amending the loan agreement, the Company issued to Apotex a warrant, exercisable for a period of three years, to purchase an additional 813,783 shares of the Company's common stock at an exercise price of \$.75 per share.

At December 31, 1995, the Company was indebted to Apotex for an aggregate of \$3,563,000. The Company received additional advances from Apotex aggregating \$862,000 in 1996. The Company issued to Apotex warrants to purchase an additional 498,032 shares of the Company's common stock at an exercise price of \$0.75 per share. The Company failed to make payments when due under the amended loan agreement and, in 1996, Apotex accelerated the entire amount of indebtedness of the Company and its subsidiaries, which are jointly and severally liable for the debt, which required the Company to turn over to Apotex all of the collateral.

Apotex sought and received the appointment of a receiver for AVP's manufacturing plant in 1996. The order permitted the receiver to exercise control over AVP's bank accounts, accounts receivable and inventory. As a result of the amended loan agreement and the appointment of a receiver, AVP stopped receiving any cash proceeds.

As of December 31, 2008, the Company remains indebted to Apotex in the amount of approximately \$4.4 million. In addition, in each of 2008, 2007 and 2006 Apotex paid, on behalf of the Company, approximately \$78,000, \$63,000 and \$37,000, respectively, of expenses, representing primarily legal, accounting and administrative costs which are not reflected on the accompanying financial statements and for which Apotex has agreed not to charge the Company.

Note C - Warrants

Pursuant to the loan agreement and the amended loan agreement, the Company issued to Apotex warrants to purchase shares of the Company's common stock. Under the terms of the loan agreement, Apotex received warrants to purchase 2,500,000 shares of the Company's common stock exercisable at \$1.00 per share; warrants to purchase 813,783 shares of the Company's

Table of Contents

common stock exercisable at \$.75 per share and warrants to purchase 498,032 shares of the Company's common stock exercisable at \$.75 per share. All of these warrants have expired

Note D - Income Taxes

In accordance with the relevant provisions of the Internal Revenue Code, the change of ownership of the Company which occurred in 1996 curtails, in all material respects the ability of the Company to carry forward previously generated net operating losses.

Edgar Filing: GEN RX INC - Form 10-K

Table of Contents

EXHIBIT INDEX

2.5 Amended and Restated Master Agreement, dated April 13, 1995. (Filed as Exhibit 2.5 to the Company's Annual Report on Form 10-K, as amended, for the fiscal year ended December 31, 1995.)

2.7 Plan and Agreement of Merger, dated April 13, 1995. (Filed as Exhibit 2.7 to the Company's Annual Report on Form 10-K, as amended, for the fiscal year ended December 31, 1995.)

2.25 Verified Complaint for Appointment of Receiver in Case No. 96CV3 Apotex USA Inc. v. American Veterinary Products Inc. (Filed as Exhibit 2.25 to the Company's Annual Report on Form 10-K, as amended, for the fiscal year ended December 31, 1995.)

2.27 Order Appointing Receiver in Case No. 96CV3 Apotex USA Inc. v. American Veterinary Products Inc. (Filed as Exhibit 2.27 to the Company's Annual Report on Form 10-K, as amended, for the fiscal year ended December 31, 1995.)

2.28 First Amended Complaint in Case No. 96CV3 Apotex USA Inc. v. American Veterinary Products Inc. and 1st Choice Bank. (Filed as Exhibit 2.28 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.)

2.29 1st Choice Bank's Answer, Counterclaim and Amended Cross Claim in Response to First Amended Complaint in Case No. 96CV3 Apotex USA Inc. v. American Veterinary Products Inc. and 1st Choice Bank. (Filed as Exhibit 2.29 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.)

2.30 Stipulation Authorizing Sales of Assets, dated June 7, 1996, by Receiver, Apotex USA, Inc. and 1st Choice Bank and Order approving Stipulation, dated June 7, 1996, in Case No. 96CV3 Apotex USA Inc. v. American Veterinary Products Inc. and 1st Choice Bank. (Filed as Exhibit 2.30 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.)

2.31 Order Regarding Payment of Certain Expenses in Case No. 96CV3 Apotex USA Inc. v. American Veterinary Products Inc. and 1st Choice Bank. (Filed as Exhibit 2.31 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.)

2.32 Final Report of Receiver in Case No. 96CV3 Apotex USA Inc. v. American Veterinary Products Inc. and 1st Choice Bank. (Filed as Exhibit 2.32 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.)

Edgar Filing: GEN RX INC - Form 10-K

2.33 Order dispersing funds and dismissing all claims between Apotex and First Choice in Case No. 96CV3 Apotex USA Inc. v. American Veterinary Products Inc. and 1st Choice Bank and attaching Settlement Agreement. (Filed as Exhibit 2.33 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.)

10.2 Separation and Release Agreement, dated as of November 6, 1996, among Jack Schramm and Apotex USA Inc., GEN/Rx, Inc. and Apotex USA Injectables, Inc. (f/k/a AUSA,

Edgar Filing: GEN RX INC - Form 10-K

Table of Contents

Inc.). (Filed as Exhibit 10.2 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.)

10.3 Addendum No. 1, dated as of April 21, 1997, to Separation and Release Agreement, dated as of November 6, 1996, among Jack Schramm and Apotex USA Inc., GEN/Rx, Inc. and Apotex USA Injectables, Inc. (f/k/a AUSA, Inc.). (Filed as Exhibit 10.3 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.)

16 Letter regarding change in accountants. (Filed as an exhibit to the Company's Current Report on Form 8-K, dated July 10, 1995.)

21 Subsidiaries filed herewith

31 Rule 13a-14(a)/15d-14(a) Certification filed herewith

32 Section 1350 Certification filed herewith
