IR BIOSCIENCES HOLDINGS INC
Form 10KSB/A
September 25, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-KSB/A
Amendment No. 1

x	Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the fiscal year ended December 31, 2007
	OR
o	Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

COMMISSION FILE NUMBER: 33-05384

IR BIOSCIENCES HOLDINGS, INC.
(Name of Small Business Issuer in its Charter)

DELAWARE (State or Other Jurisdiction of Incorporation or Organization)	13-3301899 (I.R.S. Employer Identification No.)
8767 E. Via de Ventura, Suite 190, Scottsdale, AZ (Address of Principal Executive Offices)	85258 (Zip Code)

(480) 922-3926
(Issuer's Telephone Number, including Area Code)

Securities registered under Section 12(b) of the Exchange Act:

NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE EXCHANGE ACT:

COMMON STOCK, $ 0.001 PAR VALUE PER SHARE
(Title of class)

Check whether the issuer is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. o.

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

YES x NO o

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will 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-KSB/A or any amendment to this Form 10-KSB/A. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

State issuer's revenues for its most recent fiscal year: $ 0

The aggregate market value of the Registrant's issued and outstanding shares of common stock held by non-affiliates of the Registrant as of March 20, 2008 (based on the average of the bid and asked prices as reported by the FINRA OTC Bulletin Board as of that date) was approximately $5,728,761.

The number of shares outstanding of Registrant's Common Stock, par value $0.001 as of March 20, 2008: 115,622,539.

Documents Incorporated by reference: The information required by Part III of Form 10-KSB incorporated by reference from the Registrant's definitive proxy statement on Schedule 14A that will be filed no later than the end of the 120-day period following the Registrant's fiscal year end, or, if the Registrant's definitive proxy statement is not filed within that time, the information will be filed as part of an amendment to this Annual Report on Form 10-KSB/A, not later than the end of the 120-day period.

Transitional Small Business Disclosure Format Yes o No x

Explanatory Note

The Registrant is filing this Amendment No. 1 on Form 10-KSB/A (this “Amendment”) to its Annual Report on Form 10-KSB for the year ended December 31, 2007 originally filed with the Securities and Exchange Commission (the “Commission”) on March 31, 2008 (the “Original Filing”) to amend and restate Items 8A and 13 in their entirety.

This Amendment amends only Items 8A and 13 of the Original Filing and all other portions of the Company’s Original Filing remain in effect and have not been amended to reflect events and developments since the original March 31, 2008 filing date. In accordance with Rule 12b-15 of the Exchange Act, this Amendment No. 1 on Form 10-KSB/A sets forth the complete text of Item 8A of Part II of the Registrant’s Form 10-KSB for the year ended December 31, 2007, as amended, and also includes new Rule 13a-14(a)/15d-14(a) and Rule 13a-14(b)/15d-14(b) certifications as Exhibits 31.1, 31.2, 32.1 and 32.2.

PART II

ITEM 8A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosure.

The Company’s management, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial (and principal accounting) Officer, carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Exchange Act) as of December 31, 2007. Based upon that evaluation and the identification of the material weakness in the Company’s internal control over financial reporting as described below under “Management’s Report on Internal Control over Financial Reporting,” the Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures were ineffective as of the end of the period covered by this report.

Management's Report on Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed by, or under the supervision of, a public company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the board of directors, management and other personnel, 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 (“GAAP”) including 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 assets of the company, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the company, 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.

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has assessed the effectiveness of our internal control over financial reporting as of December 31, 2007. In making this assessment, our management used the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

During this evaluation, the Company identified a material weakness in its internal control over financial reporting. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. The identified material weakness consists of, as of the end of the period covered by this report, limited resources and limited number of employees, namely the lack of an audit committee, an understaffed financial and accounting function, and the need for additional personnel to prepare and analyze financial information in a timely manner and to allow review and on-going monitoring and enhancement of our controls.

Based on our assessment and the criteria discussed above, the Company has concluded that, as of December 31, 2007, the Company's internal control over financial reporting was not effective as a result of the aforementioned material weakness.

Notwithstanding the material weakness in the Company's internal control over financial reporting and the Company's consequently ineffective disclosure controls and procedures discussed above, management believes that the financial statements included in this Annual Report on Form 10-KSB present fairly, in all material respects, our financial position, results of operations, and cash flows for the periods presented in accordance with the U. S. generally accepted accounting principles.

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to temporary rules of the SEC that permit the Company to provide only management's report in this annual report.

Plan for Remediation of Material Weaknesses

In response to the identified material weakness, the Board of Directors formed an audit committee in June 2008. With oversight from this committee, we plan to improve our control environment and to remedy the identified material weakness by expanding the resources available to the financial reporting process. These ongoing efforts are to include: (i) evaluating and improving our existing internal control documentation to develop clear identification of key financial and reporting controls; (ii) a restructuring of our existing personnel in order to achieve a full-time equivalent position in our accounting and analysis processes which occurred in the second quarter 2008; (iii) using external consultants to review our accounting process; and, (iv) using external consultants to review our control procedures and assist us in developing on-going test plans to assure compliance and enhancement as needed to existing controls.

Limitations on Effectiveness of Controls and Procedures

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include, but are not limited to, the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 or 15d-15 under the Exchange Act that occurred during the quarter ended December 31, 2007 that have materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 13. EXHIBITS

Exhibit Number	Description of Exhibit
2.1	Agreement and Plan of Merger dated July 2, 2003 among the Registrant, GPN Acquisition Corporation and ImmuneRegen BioSciences, Inc. (incorporated by reference to exhibit 2 of the Registrant's current report on Form 8-k filed with the Securities and Exchange Commission on July 7, 2003).
3.1	Certificate of Incorporation filed with the Delaware Secretary of State on June 4, 1985 (incorporated by reference to exhibit 3.1 of the Registrant's annual report on Form 10-KSB for the year ended December 31, 2001 filed with the Securities and Exchange Commission on April 16, 2002).
3.1(a)	Certificate of Amendment filed with the Delaware Secretary of State on July 16, 1987 (incorporated by reference to exhibit 3.1(a) of the Registrant's annual report on Form 10-KSB for the year ended December 31, 2001 filed with the Securities and Exchange Commission on April 16, 2002).
3.1(b)	Certificate of Amendment filed with the Delaware Secretary of State on February 3, 1992 (incorporated by reference to exhibit 3.1(b) of the Registrant's annual report on Form 10-KSB for the year ended December 31, 2001 filed with the Securities and Exchange Commission on April 16, 2002).
3.1(c)	Certificate of Amendment filed with the Delaware Secretary of State on November 23, 1992 (incorporated by reference to exhibit 3.1(c) of the Registrant's annual report on Form 10-KSB for the year ended December 31, 2001 filed with the Securities and Exchange Commission on April 16, 2002).
3.1(d)	Certificate of Amendment filed with the Delaware Secretary of State on December 15, 1994 (incorporated by reference to exhibit 3.1(d) of the Registrant's annual report on Form 10-KSB for the year ended December 31, 2001 filed with the Securities and Exchange Commission on April 16, 2002).
3.1(e)	Certificate of Amendment filed with the Delaware Secretary of State on November 7, 1995 (incorporated by reference to exhibit 3.1(e) of the Registrant's annual report on Form 10-KSB for the year ended December 31, 2001 filed with the Securities and Exchange Commission on April 16, 2002).
3.1(f)	Certificate of Amendment filed with the Delaware Secretary of State on December 30, 1996 (incorporated by reference to exhibit 3.1(f) of the Registrant's annual report on Form 10-KSB for the year ended December 31, 2001 filed with the Securities and Exchange Commission on April 16, 2002).
3.1(g)	Certificate of Amendment filed with the Delaware Secretary of State on November 8, 2000 (incorporated by reference to exhibit 3.1(h) of the Registrant's annual report on Form 10-KSB for the year ended December 31, 2001 filed with the Securities and Exchange Commission on April 16, 2002).

3.2	Amended and Restated Bylaws of the Registrant dated as of January 1, 2002 (incorporated by reference to exhibit 3(b) of the Registrant's annual report on Form 10-KSB for the year ended December 31, 2001 filed with the Securities and Exchange Commission on April 16, 2002).

5

Exhibit Number	Description of Exhibit
4.1	Specimen Common Stock Certificate (incorporated by reference to exhibit 4.1 of the Registrant's registration statement on Form SB-2 (File No. 333-120784) filed with the Securities and Exchange Commission on November 24, 2004).
4.2	2003 Stock Option, Deferred Stock and Restricted Stock Plan (incorporated by reference to exhibit 4.1 of the Registrant's registration statement on Form S-8 (file no. 333-113511) filed with the Securities and Exchange Commission on March 11, 2004).
4.3	Form of Warrant by and between the Registrant and each of the Investors or Creditors, as the case may be, who entered into an Agreement filed as Exhibit 10.6, 10.7, 10.8 or 10.9 herewith (incorporated by reference to exhibit 4.1 of the Registrant's current report on Form 8-K filed with the Securities and Exchange Commission on October 19, 2004).
4.4	Form of Registration Rights (Annex A to Subscription Agreement) by and between the Registrant and each of the Investors who entered into the Agreements filed as Exhibits 10.6 and 10.8 herewith (incorporated by reference to exhibit 4.2 of the Registrant's current report on Form 8-K filed with the Securities and Exchange Commission on October 19, 2004).
4.5	Form of Anti-Dilution Rights (Annex B to Subscription Agreement) by and between the Registrant and each of the Investors who entered into the Agreements filed as Exhibits 10.6 and 10.8 herewith (incorporated by reference to exhibit 4.3 of the Registrant's current report on Form 8-K filed with the Securities and Exchange Commission on October 19, 2004).
4.6	Promissory Note issued from the Registrant to SBM Certificate Company as of April 28, 2004 (incorporated by reference to exhibit 4.6 of the Registrant's registration statement on Form SB-2 (File No. 333-120784) filed with the Securities and Exchange Commission on November 24, 2004).
4.7	Form of Warrant by and between the Registrant and each of the investors who entered into the Subscription Agreements filed as Exhibits 10.18, 10.19 and 10.20 herewith (incorporated by reference from Exhibit 4.1 to the Quarterly Report on Form 10-QSB as filed with the Securities and Exchange Commission on November 14, 2006).
4.8	8% Secured Convertible Debenture due December 31, 2010, issued to YA Global Investments, L.P., dated January 3, 2008 (incorporated by reference from Exhibit 4.1 to the Current Report on Form 8-K as filed with the Securities and Exchange Commission on January 9, 2008).
4.9	Common Stock Purchase Warrant, issued to YA Global Investments, L.P., dated January 3, 2008 (incorporated by reference from Exhibit 4.2 to the Current Report on Form 8-K as filed with the Securities and Exchange Commission on January 9, 2008).
10.1	License Agreement dated December 16, 2002 among ImmuneRegen BioSciences, Inc., a subsidiary of the Registrant, David Harris and Mark Witten (incorporated by reference to exhibit 10.4 of the Registrant's registration statement on Form SB-2 (File No.

333-120784) filed with the Securities and Exchange Commission on November 24, 2004).

10.1(a)	First Amendment to License Agreement dated December 20, 2002 among ImmuneRegen BioSciences, Inc., a subsidiary of the Registrant, David Harris and Mark Witten (incorporated by reference to exhibit 10.4(a) of the Registrant's registration statement on Form SB-2 (File No. 333-120784) filed with the Securities and Exchange Commission on November 24, 2004).
10.1(b)	Second Amendment to License Agreement dated June 26, 2003 among ImmuneRegen BioSciences, Inc., a subsidiary of the Registrant, David Harris and Mark Witten (incorporated by reference to exhibit 10.4(b) of the Registrant's registration statement on Form SB-2 (File No. 333-120784) filed with the Securities and Exchange Commission on November 24, 2004).

6

Exhibit Number	Description of Exhibit
10.1(c)	Assignment Agreement dated February 23, 2005 between ImmuneRegen BioSciences, Inc., a subsidiary of the Registrant and Mark Witten (incorporated by reference to exhibit 10.4(c) of the Registrant's registration statement on Form SB-2 (File No. 333-120784) filed with the Securities and Exchange Commission on July 20, 2005).
10.1(d)	Assignment Agreement dated February 23, 2005 among ImmuneRegen BioSciences, Inc., a subsidiary of the Registrant, David Harris and Mark Witten (incorporated by reference to exhibit 10.4(d) of the Registrant's registration statement on Form SB-2 (File No. 333-120784) filed with the Securities and Exchange Commission on July 20, 2005).
10.1(e)	Assignment Agreement dated November 7, 2005 between ImmuneRegen BioSciences, Inc., a subsidiary of the Registrant and Mark Witten (incorporated by reference to exhibit 10.4(e) of the Registrant's registration statement on Form SB-2 (File No. 333-120784) filed with the Securities and Exchange Commission on November 16, 2005).
10.1(f)	Assignment Agreement dated November 7, 2005 between ImmuneRegen BioSciences, Inc., a subsidiary of the Registrant and Mark Witten (incorporated by reference to exhibit 10.4(f) of the Registrant's registration statement on Form SB-2 (File No. 333-120784) filed with the Securities and Exchange Commission on February 22, 2006).
10.1(g)	Assignment Agreement dated November 7, 2005 between ImmuneRegen BioSciences, Inc., a subsidiary of the Registrant and Mark Witten (incorporated by reference to exhibit 10.4(g) of the Registrant's registration statement on Form SB-2 (File No. 333-120784) filed with the Securities and Exchange Commission on November 16, 2005).
10.1(h)	Assignment Agreement dated November 7, 2005 between ImmuneRegen BioSciences, Inc., a subsidiary of the Registrant and Mark Witten (incorporated by reference to exhibit 10.4(h) of the Registrant's registration statement on Form SB-2 (File No. 333-120784) filed with the Securities and Exchange Commission on November 16, 2005).
10.2	Lease Agreement dated July 1, 2004 between ImmuneRegen BioSciences, Inc., a subsidiary of the Registrant, and The Clayton Companies (incorporated by reference to exhibit 10.5 of the Registrant's registration statement on Form SB-2 (File No. 333-120784) filed with the Securities and Exchange Commission on November 24, 2004).
10.3	Form of Subscription Agreement entered into as of October 13, 2004 between the Registrant and each of the Investors set forth on the Schedule of Investors thereto (incorporated by reference to exhibit 10.1 of the Registrant's current report on Form 8-K filed with the Securities and Exchange Commission on October 19, 2004).
10.4	Form of Settlement Agreement entered into as of October 13, 2004 between the Registrant and each of the Creditors set forth on the Schedule of Creditors thereto (incorporated by reference to exhibit 10.2 of the Registrant's current report on Form 8-K filed with the Securities and Exchange Commission on October 19, 2004).
10.5	

Form of Subscription Agreement entered into as of October 26, 2004 between the Registrant and each of the Investors set forth on the Schedule of Investors thereto (incorporated by reference to exhibit 10.1 of the Registrant's current report on Form 8-K filed with the Securities and Exchange Commission on October 27, 2004).

Exhibit Number	Description of Exhibit
10.6	Form of Settlement Agreement entered into as of October 26, 2004 between the Registrant and each of the Creditors set forth on the Schedule of Creditors thereto (incorporated by reference to exhibit 10.2 of the Registrant's current report on Form 8-K filed with the Securities and Exchange Commission on October 27, 2004).
10.7	Employment Agreement dated February 15, 2005 between the Registrant and John N. Fermanis (incorporated by reference to exhibit 10.10 of the Registrant's Amendment No. 1 on Form 10-K/A to its annual report for the year ended December 31, 2004).
10.8	Employment Agreement dated August 10, 2005 by and between the Registrant and Michael K. Wilhelm (incorporated by reference to exhibit 10.1 of the Registrant's quarterly report on Form 10-QSB for the three months ended September 30, 2005).
10.9	Change of Control Agreement dated August 10, 2005 by and between the Registrant and Michael K. Wilhelm (incorporated by reference to exhibit 10.2 of the Registrant's quarterly report on Form 10-QSB for the three months ended September 30, 2005).
10.10	Severance Agreement dated November 7, 2005 by and between the Registrant and Michael K. Wilhelm (incorporated by reference to exhibit 10.3 of the Registrant's quarterly report on Form 10-QSB for the three months ended September 30, 2005).
10.11	Authorization for Regulatory Contact dated November 7, 2005 between ImmuneRegen BioSciences, Inc., a subsidiary of the Registrant, and Synergos, Inc. (incorporated by reference to exhibit 10.14 of the Registrant's registration statement on Form SB-2 (File No. 333-120784) filed with the Securities and Exchange Commission on February 22, 2006).
10.12	Proforma invoice/quotation dated November 7, 2005 from Sigma-Aldrich, Inc. to ImmuneRegen BioSciences, Inc., a subsidiary of the Registrant (incorporated by reference to exhibit 10.15 of the Registrant's registration statement on Form SB-2 (File No. 333-120784) filed with the Securities and Exchange Commission on November 16, 2005).
10.13	Letter of acceptance dated October 2, 2003, from Huntingdon Life Sciences to ImmuneRegen BioSciences, Inc., a subsidiary of the Registrant (incorporated by reference to exhibit 10.16 of the Registrant's registration statement on Form SB-2 (File No. 333-120784) filed with the Securities and Exchange Commission on February 22, 2006).
10.14	Price Quotation dated June 27, 2003 received by ImmuneRegen BioSciences, Inc., a subsidiary of the Registrant from AppTec Laboratory Services (incorporated by reference to exhibit 10.17 of the Registrant's registration statement on Form SB-2 (File No. 333-120784) filed with the Securities and Exchange Commission on February 22, 2006).
10.15	Consulting Agreement dated March 15, 2005 between ImmuneRegen BioSciences, Inc., a subsidiary of the Registrant and Dr. Hal Siegel, Ph.D. (Siegel Consultancy) (incorporated by reference to exhibit 10.18 of the Registrant's registration statement on Form SB-2 (File

	No. 333-120784) filed with the Securities and Exchange Commission on February 22, 2006).
10.16	Consulting Agreement dated November 3, 2005 between ImmuneRegen BioSciences, Inc., a subsidiary of the Registrant and Dr. Jack Caravelli, Ph.D (incorporated by reference to exhibit 10.19 of the Registrant's registration statement on Form SB-2 (File No. 333-120784) filed with the Securities and Exchange Commission on February 22, 2006).

Exhibit Number	Description of Exhibit
10.17	Consulting Agreement dated July 29, 2005 between ImmuneRegen BioSciences, Inc., a subsidiary of the Registrant and Dr. Kelly McQueen, MD, MPH (incorporated by reference to exhibit 10.20 of the Registrant's registration statement on Form SB-2 (File No. 333-120784) filed with the Securities and Exchange Commission on February 22, 2006).
10.18	Form of Subscription Agreement entered into as of December 6, 2006 between the Registrant and each of the Investors set forth on the Schedule of Investors contained therein (incorporated by reference from Exhibit 10.1 to the Report on Form 8-K as filed with the Securities and Exchange Commission on December 7, 2006).
10.19	Form of Subscription Agreement entered into as of October 4, 2006 between the Registrant and each of the Investors set forth on the Schedule of Investors contained therein. (incorporated by reference from Exhibit 10.2 to the Quarterly Report on Form 10-QSB as filed with the Securities and Exchange Commission on November 14, 2006).
10.20	Form of Subscription Agreement entered into as of October 26, 2006 between the Registrant and each of the Investors set forth on the Schedule of Investors contained therein (incorporated by reference from Exhibit 10.2 to the Quarterly Report on Form 10-QSB as filed with the Securities and Exchange Commission on November 14, 2006).
10.21	Standard Form of Director Indemnification Agreement (incorporated by reference from Exhibit 10.21 to the Annual Report on Form 10-KSB/A as filed with the Securities and Exchange Commission on April 30, 2007).
10.22	Agreement dated May 14, 2007 by and between the Company and Dr. Lance K. Gordon (incorporated by reference from Exhibit 10.1 to the Current Report on Form 8-K as filed with the Securities and Exchange Commission on May 17, 2007).
10.23	Agreement dated August 14, 2007 by and between the Company and Dr. Robert J. Hariri (incorporated by reference from Exhibit 10.1 to the Current Report on Form 8-K as filed with the Securities and Exchange Commission on August 17, 2007).
10.24	Office Lease dated October 25, 2007 by and between the Company and Bay Colony Executive Center-West, a division of BC Management Company, Inc. (incorporated by reference from Exhibit 10.1 to the Current Report on Form 8-K as filed with the Securities and Exchange Commission on October 30, 2007).
10.25	Securities Purchase Agreement, dated as of January 3, 2008, by and among the Company, YA Global Investments, L.P., and ImmuneRegen BioSciences, Inc. (incorporated by reference from Exhibit 10.1 to the Current Report on Form 8-K as filed with the Securities and Exchange Commission on January 9, 2008).
10.26	Guaranty Agreement dated as of January 3, 2008, executed by ImmuneRegen BioSciences, Inc. in favor of YA Global Investments, L.P. (incorporated by reference from Exhibit 10.2 to the Current Report on Form 8-K as filed with the Securities and Exchange Commission on January 9, 2008).

10.27	Security Agreement dated as of January 3, 2008, by and among the Company, YA Global Investments, L.P. and ImmuneRegen BioSciences, Inc. (incorporated by reference from Exhibit 10.3 to the Current Report on Form 8-K as filed with the Securities and Exchange Commission on January 9, 2008).
10.28	Patent Security Agreement dated as of January 3, 2008, by and among the Company, YA Global Investments, L.P. and ImmuneRegen BioSciences, Inc. (incorporated by reference from Exhibit 10.3 to the Current Report on Form 8-K as filed with the Securities and Exchange Commission on January 9, 2008).
10.29	Unsecured 12% Senior Promissory Note dated April 13, 2006 (incorporated by reference from Exhibit 10.1 to the Current Report on Form 8-K as filed with the Securities and Exchange Commission on April 19, 2006).
10.30	Unsecured 12% Senior Promissory Note dated July 25, 2006 in the amount of $250,000 (incorporated by reference from Exhibit 10.1 to the Current Report on Form 8-K as filed with the Securities and Exchange Commission on August 4, 2006).
10.31	Unsecured 12% Senior Promissory Note dated August 1, 2006 in the amount of $50,000 (incorporated by reference from Exhibit 10.2 to the Current Report on Form 8-K as filed with the Securities and Exchange Commission on August 4, 2006).
10.32	Unsecured 12% Senior Promissory Note dated August 1, 2006 in the amount of $20,000 (incorporated by reference from Exhibit 10.3 to the Current Report on Form 8-K as filed with the Securities and Exchange Commission on August 4, 2006).
10.33	Employment Agreement dated October 23, 2006 by and between the Company and Hal Siegel. (incorporated by reference from Exhibit 10.1 to the Current Report on Form 8-K as filed with the Securities and Exchange Commission on November 1, 2006).
10.34	Change of Control Agreement dated October 23, 2006 by and between the Company and Hal Siegel (incorporated by reference from Exhibit 10.2 to the Current Report on Form 8-K as filed with the Securities and Exchange Commission on November 1, 2006).
21.1	Subsidiaries of Registrant (incorporated by reference to exhibit 21.1 of the Registrant's registration statement on Form SB-2 (File No. 333-120784) filed with the Securities and Exchange Commission on November 24, 2004).
23.1*	Consent of Independent Registered Public Accounting Firm.
31.1	Certification of Chief Executive Officer pursuant to Item 601(b)(31) of Regulation S-B, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Item 601(b)(31) of Regulation S-B, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certifications of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
32.2	

Certifications of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**

* Previously filed

** This exhibit shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in any filings.

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, on September 25, 2008.

IR BIOSCIENCES HOLDINGS, INC.

Date: September 25, 2008	By:	/s/ Michael K. Wilhelm Michael K. Wilhelm President and Chief Executive Officer

In accordance with the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ Michael K. Wilhelm Michael K. Wilhelm	Chief Executive Officer, President and Director (Principal Executive Officer)	September 25, 2008
/s/ John N. Fermanis John N. Fermanis	Chief Financial Officer (Principal Financial and Accounting Officer)	September 25, 2008
/s/ Hal N. Siegel Hal N. Siegel, Ph.D.	Director	September 25, 2008
/s/ Theodore E. Staahl Theodore E. Staahl, M.D.	Director	September 25, 2008
/s/ Robert J. Hariri Robert J. Hariri, M.D., Ph.D.	Director	September 25, 2008
/s/ Lance K. Gordon Lance K. Gordon, Ph.D.	Director	September 25, 2008
/s/ Jerome B. Zeldis Jerome B. Zeldis, M.D., Ph.D.	Director	September 25, 2008

10

INDEX TO EXHIBITS

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3.1	Certificate of Incorporation filed with the Delaware Secretary of State on June 4, 1985 (incorporated by reference to exhibit 3.1 of the Registrant's annual report on Form 10-KSB for the year ended December 31, 2001 filed with the Securities and Exchange Commission on April 16, 2002).
3.1(a)	Certificate of Amendment filed with the Delaware Secretary of State on July 16, 1987 (incorporated by reference to exhibit 3.1(a) of the Registrant's annual report on Form 10-KSB for the year ended December 31, 2001 filed with the Securities and Exchange Commission on April 16, 2002).
3.1(b)	Certificate of Amendment filed with the Delaware Secretary of State on February 3, 1992 (incorporated by reference to exhibit 3.1(b) of the Registrant's annual report on Form 10-KSB for the year ended December 31, 2001 filed with the Securities and Exchange Commission on April 16, 2002).
3.1(c)	Certificate of Amendment filed with the Delaware Secretary of State on November 23, 1992 (incorporated by reference to exhibit 3.1(c) of the Registrant's annual report on Form 10-KSB for the year ended December 31, 2001 filed with the Securities and Exchange Commission on April 16, 2002).
3.1(d)	Certificate of Amendment filed with the Delaware Secretary of State on December 15, 1994 (incorporated by reference to exhibit 3.1(d) of the Registrant's annual report on Form 10-KSB for the year ended December 31, 2001 filed with the Securities and Exchange Commission on April 16, 2002).
3.1(e)	Certificate of Amendment filed with the Delaware Secretary of State on November 7, 1995 (incorporated by reference to exhibit 3.1(e) of the Registrant's annual report on Form 10-KSB for the year ended December 31, 2001 filed with the Securities and Exchange Commission on April 16, 2002).
3.1(f)	Certificate of Amendment filed with the Delaware Secretary of State on December 30, 1996 (incorporated by reference to exhibit 3.1(f) of the Registrant's annual report on Form 10-KSB for the year ended December 31, 2001 filed with the Securities and Exchange Commission on April 16, 2002).
3.1(g)	Certificate of Amendment filed with the Delaware Secretary of State on November 8, 2000 (incorporated by reference to exhibit 3.1(h) of the Registrant's annual report on Form 10-KSB for the year ended December 31, 2001 filed with the Securities and Exchange Commission on April 16, 2002).
3.2	Amended and Restated Bylaws of the Registrant dated as of January 1, 2002 (incorporated by reference to exhibit 3(b) of the Registrant's annual report on Form 10-KSB for the year ended December 31, 2001 filed with the Securities and Exchange Commission on April 16, 2002).
4.1	Specimen Common Stock Certificate (incorporated by reference to exhibit 4.1 of the Registrant's registration statement on Form SB-2 (File No. 333-120784) filed with the Securities and Exchange Commission on November 24, 2004).
4.2	

2003 Stock Option, Deferred Stock and Restricted Stock Plan (incorporated by reference to exhibit 4.1 of the Registrant's registration statement on Form S-8 (file no. 333-113511) filed with the Securities and Exchange Commission on March 11, 2004).

11

Exhibit Number	Description of Exhibit
4.3	Form of Warrant by and between the Registrant and each of the Investors or Creditors, as the case may be, who entered into an Agreement filed as Exhibit 10.6, 10.7, 10.8 or 10.9 herewith (incorporated by reference to exhibit 4.1 of the Registrant's current report on Form 8-K filed with the Securities and Exchange Commission on October 19, 2004).
4.4	Form of Registration Rights (Annex A to Subscription Agreement) by and between the Registrant and each of the Investors who entered into the Agreements filed as Exhibits 10.6 and 10.8 herewith (incorporated by reference to exhibit 4.2 of the Registrant's current report on Form 8-K filed with the Securities and Exchange Commission on October 19, 2004).
4.5	Form of Anti-Dilution Rights (Annex B to Subscription Agreement) by and between the Registrant and each of the Investors who entered into the Agreements filed as Exhibits 10.6 and 10.8 herewith (incorporated by reference to exhibit 4.3 of the Registrant's current report on Form 8-K filed with the Securities and Exchange Commission on October 19, 2004).
4.6	Promissory Note issued from the Registrant to SBM Certificate Company as of April 28, 2004 (incorporated by reference to exhibit 4.6 of the Registrant's registration statement on Form SB-2 (File No. 333-120784) filed with the Securities and Exchange Commission on November 24, 2004).
4.7	Form of Warrant by and between the Registrant and each of the investors who entered into the Subscription Agreements filed as Exhibits 10.18, 10.19 and 10.20 herewith (incorporated by reference from Exhibit 4.1 to the Quarterly Report on Form 10-QSB as filed with the Securities and Exchange Commission on November 14, 2006).
4.8	8% Secured Convertible Debenture due December 31, 2010, issued to YA Global Investments, L.P., dated January 3, 2008 (incorporated by reference from Exhibit 4.1 to the Current Report on Form 8-K as filed with the Securities and Exchange Commission on January 9, 2008).
4.9	Common Stock Purchase Warrant, issued to YA Global Investments, L.P., dated January 3, 2008 (incorporated by reference from Exhibit 4.2 to the Current Report on Form 8-K as filed with the Securities and Exchange Commission on January 9, 2008).
10.1	License Agreement dated December 16, 2002 among ImmuneRegen BioSciences, Inc., a subsidiary of the Registrant, David Harris and Mark Witten (incorporated by reference to exhibit 10.4 of the Registrant's registration statement on Form SB-2 (File No. 333-120784) filed with the Securities and Exchange Commission on November 24, 2004).
10.1(a)	First Amendment to License Agreement dated December 20, 2002 among ImmuneRegen BioSciences, Inc., a subsidiary of the Registrant, David Harris and Mark Witten (incorporated by reference to exhibit 10.4(a) of the Registrant's registration statement on Form SB-2 (File No. 333-120784) filed with the Securities and Exchange Commission on November 24, 2004).
10.1(b)	Second Amendment to License Agreement dated June 26, 2003 among ImmuneRegen BioSciences, Inc., a subsidiary of the Registrant, David Harris and Mark Witten (incorporated by reference to exhibit 10.4(b) of the Registrant's registration statement on Form SB-2 (File No. 333-120784) filed with the Securities and Exchange Commission on November 24, 2004).

10.1(c) Assignment Agreement dated February 23, 2005 between ImmuneRegen BioSciences, Inc., a subsidiary of the Registrant and Mark Witten (incorporated by reference to exhibit 10.4(c) of the Registrant's registration statement on Form SB-2 (File No. 333-120784) filed with the Securities and Exchange Commission on July 20, 2005).

10.1(d) Assignment Agreement dated February 23, 2005 among ImmuneRegen BioSciences, Inc., a subsidiary of the Registrant, David Harris and Mark Witten (incorporated by reference to exhibit 10.4(d) of the Registrant's registration statement on Form SB-2 (File No. 333-120784) filed with the Securities and Exchange Commission on July 20, 2005).

10.1(e) Assignment Agreement dated November 7, 2005 between ImmuneRegen BioSciences, Inc., a subsidiary of the Registrant and Mark Witten (incorporated by reference to exhibit 10.4(e) of the Registrant's registration statement on Form SB-2 (File No. 333-120784) filed with the Securities and Exchange Commission on November 16, 2005).

Exhibit Number	Description of Exhibit
10.1(f)	Assignment Agreement dated November 7, 2005 between ImmuneRegen BioSciences, Inc., a subsidiary of the Registrant and Mark Witten (incorporated by reference to exhibit 10.4(f) of the Registrant's registration statement on Form SB-2 (File No. 333-120784) filed with the Securities and Exchange Commission on February 22, 2006).
10.1(g)	Assignment Agreement dated November 7, 2005 between ImmuneRegen BioSciences, Inc., a subsidiary of the Registrant and Mark Witten (incorporated by reference to exhibit 10.4(g) of the Registrant's registration statement on Form SB-2 (File No. 333-120784) filed with the Securities and Exchange Commission on November 16, 2005).
10.1(h)	Assignment Agreement dated November 7, 2005 between ImmuneRegen BioSciences, Inc., a subsidiary of the Registrant and Mark Witten (incorporated by reference to exhibit 10.4(h) of the Registrant's registration statement on Form SB-2 (File No. 333-120784) filed with the Securities and Exchange Commission on November 16, 2005).
10.2	Lease Agreement dated July 1, 2004 between ImmuneRegen BioSciences, Inc., a subsidiary of the Registrant, and The Clayton Companies (incorporated by reference to exhibit 10.5 of the Registrant's registration statement on Form SB-2 (File No. 333-120784) filed with the Securities and Exchange Commission on November 24, 2004).
10.3	Form of Subscription Agreement entered into as of October 13, 2004 between the Registrant and each of the Investors set forth on the Schedule of Investors thereto (incorporated by reference to exhibit 10.1 of the Registrant's current report on Form 8-K filed with the Securities and Exchange Commission on October 19, 2004).
10.4	Form of Settlement Agreement entered into as of October 13, 2004 between the Registrant and each of the Creditors set forth on the Schedule of Creditors thereto (incorporated by reference to exhibit 10.2 of the Registrant's current report on Form 8-K filed with the Securities and Exchange Commission on October 19, 2004).
10.5	Form of Subscription Agreement entered into as of October 26, 2004 between the Registrant and each of the Investors set forth on the Schedule of Investors thereto (incorporated by reference to exhibit 10.1 of the Registrant's current report on Form 8-K filed with the Securities and Exchange Commission on October 27, 2004).
10.6	Form of Settlement Agreement entered into as of October 26, 2004 between the Registrant and each of the Creditors set forth on the Schedule of Creditors thereto (incorporated by reference to exhibit 10.2 of the Registrant's current report on Form 8-K filed with the Securities and Exchange Commission on October 27, 2004).
10.7	Employment Agreement dated February 15, 2005 between the Registrant and John N. Fermanis (incorporated by reference to exhibit 10.10 of the Registrant's Amendment No. 1 on Form 10-K/A to its annual report for the year ended December 31, 2004).
10.8	Employment Agreement dated August 10, 2005 by and between the Registrant and Michael K. Wilhelm (incorporated by reference to exhibit 10.1 of the Registrant's quarterly report on Form 10-QSB for the

three months ended September 30, 2005).

10.9 Change of Control Agreement dated August 10, 2005 by and between the Registrant and Michael K. Wilhelm (incorporated by reference to exhibit 10.2 of the Registrant's quarterly report on Form 10-QSB for the three months ended September 30, 2005).

10.10 Severance Agreement dated November 7, 2005 by and between the Registrant and Michael K. Wilhelm (incorporated by reference to exhibit 10.3 of the Registrant's quarterly report on Form 10-QSB for the three months ended September 30, 2005).

10.11 Authorization for Regulatory Contact dated November 7, 2005 between ImmuneRegen BioSciences, Inc., a subsidiary of the Registrant, and Synergos, Inc. (incorporated by reference to exhibit 10.14 of the Registrant's registration statement on Form SB-2 (File No. 333-120784) filed with the Securities and Exchange Commission on February 22, 2006).

10.12 Proforma invoice/quotation dated November 7, 2005 from Sigma-Aldrich, Inc. to ImmuneRegen BioSciences, Inc., a subsidiary of the Registrant (incorporated by reference to exhibit 10.15 of the Registrant's registration statement on Form SB-2 (File No. 333-120784) filed with the Securities and Exchange Commission on November 16, 2005).

Exhibit Number	Description of Exhibit
10.13	Letter of acceptance dated October 2, 2003, from Huntingdon Life Sciences to ImmuneRegen BioSciences, Inc., a subsidiary of the Registrant (incorporated by reference to exhibit 10.16 of the Registrant's registration statement on Form SB-2 (File No. 333-120784) filed with the Securities and Exchange Commission on February 22, 2006).
10.14	Price Quotation dated June 27, 2003 received by ImmuneRegen BioSciences, Inc., a subsidiary of the Registrant from AppTec Laboratory Services (incorporated by reference to exhibit 10.17 of the Registrant's registration statement on Form SB-2 (File No. 333-120784) filed with the Securities and Exchange Commission on February 22, 2006).
10.15	Consulting Agreement dated March 15, 2005 between ImmuneRegen BioSciences, Inc., a subsidiary of the Registrant and Dr. Hal Siegel, Ph.D. (Siegel Consultancy) (incorporated by reference to exhibit 10.18 of the Registrant's registration statement on Form SB-2 (File No. 333-120784) filed with the Securities and Exchange Commission on February 22, 2006).
10.16	Consulting Agreement dated November 3, 2005 between ImmuneRegen BioSciences, Inc., a subsidiary of the Registrant and Dr. Jack Caravelli, Ph.D (incorporated by reference to exhibit 10.19 of the Registrant's registration statement on Form SB-2 (File No. 333-120784) filed with the Securities and Exchange Commission on February 22, 2006).
10.17	Consulting Agreement dated July 29, 2005 between ImmuneRegen BioSciences, Inc., a subsidiary of the Registrant and Dr. Kelly McQueen, MD, MPH (incorporated by reference to exhibit 10.20 of the Registrant's registration statement on Form SB-2 (File No. 333-120784) filed with the Securities and Exchange Commission on February 22, 2006).
10.18	Form of Subscription Agreement entered into as of December 6, 2006 between the Registrant and each of the Investors set forth on the Schedule of Investors contained therein (incorporated by reference from Exhibit 10.1 to the Report on Form 8-K as filed with the Securities and Exchange Commission on December 7, 2006).
10.19	Form of Subscription Agreement entered into as of October 4, 2006 between the Registrant and each of the Investors set forth on the Schedule of Investors contained therein. (incorporated by reference from Exhibit 10.2 to the Quarterly Report on Form 10-QSB as filed with the Securities and Exchange Commission on November 14, 2006).
10.20	Form of Subscription Agreement entered into as of October 26, 2006 between the Registrant and each of the Investors set forth on the Schedule of Investors contained therein (incorporated by reference from Exhibit 10.2 to the Quarterly Report on Form 10-QSB as filed with the Securities and Exchange Commission on November 14, 2006).
10.21	Standard Form of Director Indemnification Agreement (incorporated by reference from Exhibit 10.21 to the Annual Report on Form 10-KSB/A as filed with the Securities and Exchange Commission on April 30, 2007).
10.22	

	Agreement dated May 14, 2007 by and between the Company and Dr. Lance K. Gordon (incorporated by reference from Exhibit 10.1 to the Current Report on Form 8-K as filed with the Securities and Exchange Commission on May 17, 2007).
10.23	Agreement dated August 14, 2007 by and between the Company and Dr. Robert J. Hariri (incorporated by reference from Exhibit 10.1 to the Current Report on Form 8-K as filed with the Securities and Exchange Commission on August 17, 2007).
10.24	Office Lease dated October 25, 2007 by and between the Company and Bay Colony Executive Center-West, a division of BC Management Company, Inc. (incorporated by reference from Exhibit 10.1 to the Current Report on Form 8-K as filed with the Securities and Exchange Commission on October 30, 2007).
10.25	Securities Purchase Agreement, dated as of January 3, 2008, by and among the Company, YA Global Investments, L.P., and ImmuneRegen BioSciences, Inc. (incorporated by reference from Exhibit 10.1 to the Current Report on Form 8-K as filed with the Securities and Exchange Commission on January 9, 2008).
10.26	Guaranty Agreement dated as of January 3, 2008, executed by ImmuneRegen BioSciences, Inc. in favor of YA Global Investments, L.P. (incorporated by reference from Exhibit 10.2 to the Current Report on Form 8-K as filed with the Securities and Exchange Commission on January 9, 2008).

Exhibit Number	Description of Exhibit
10.27	Security Agreement dated as of January 3, 2008, by and among the Company, YA Global Investments, L.P. and ImmuneRegen BioSciences, Inc. (incorporated by reference from Exhibit 10.3 to the Current Report on Form 8-K as filed with the Securities and Exchange Commission on January 9, 2008).
10.28	Patent Security Agreement dated as of January 3, 2008, by and among the Company, YA Global Investments, L.P. and ImmuneRegen BioSciences, Inc. (incorporated by reference from Exhibit 10.3 to the Current Report on Form 8-K as filed with the Securities and Exchange Commission on January 9, 2008).
10.29	Unsecured 12% Senior Promissory Note dated April 13, 2006 (incorporated by reference from Exhibit 10.1 to the Current Report on Form 8-K as filed with the Securities and Exchange Commission on April 19, 2006).
10.30	Unsecured 12% Senior Promissory Note dated July 25, 2006 in the amount of $250,000 (incorporated by reference from Exhibit 10.1 to the Current Report on Form 8-K as filed with the Securities and Exchange Commission on August 4, 2006).
10.31	Unsecured 12% Senior Promissory Note dated August 1, 2006 in the amount of $50,000 (incorporated by reference from Exhibit 10.2 to the Current Report on Form 8-K as filed with the Securities and Exchange Commission on August 4, 2006).
10.32	Unsecured 12% Senior Promissory Note dated August 1, 2006 in the amount of $20,000 (incorporated by reference from Exhibit 10.3 to the Current Report on Form 8-K as filed with the Securities and Exchange Commission on August 4, 2006).
10.33	Employment Agreement dated October 23, 2006 by and between the Company and Hal Siegel. (incorporated by reference from Exhibit 10.1 to the Current Report on Form 8-K as filed with the Securities and Exchange Commission on November 1, 2006).
10.34	Change of Control Agreement dated October 23, 2006 by and between the Company and Hal Siegel (incorporated by reference from Exhibit 10.2 to the Current Report on Form 8-K as filed with the Securities and Exchange Commission on November 1, 2006).
21.1	Subsidiaries of Registrant (incorporated by reference to exhibit 21.1 of the Registrant's registration statement on Form SB-2 (File No. 333-120784) filed with the Securities and Exchange Commission on November 24, 2004).
23.1*	Consent of Independent Registered Public Accounting Firm
31.1	Certification of Chief Executive Officer pursuant to Item 601(b)(31) of Regulation S-B, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Item 601(b)(31) of Regulation S-B, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1	Certifications of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
32.2	Certifications of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**

* Previously filed.

** This exhibit shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in any filings.

"2%" valign="bottom" bgcolor="#cceeff" style="background:#CCEEFF;padding:0in 0in 0in 0in;width:2.0%;">

Net income	$	2,504
Less: Preferred stock dividends		(40)
Basic earnings per share		2,464

7,832

$

0.31

Effect of dilutive securities:

Convertible preferred stock

40

324

Stock options and warrants

0

61

Diluted earnings per share	$ 2,504	8,217	$ 0.30

For the three months ended March 31, 2001:

Net income

$

1,019

Less: Preferred stock dividends

(40

)

Basic earnings per share

979

7,832

$

0.12

Effect of dilutive securities:

Convertible preferred stock	40	324
Stock options and warrants	0	4
Diluted earnings per share	$	1,019

8,160

$

0.12

NOTE 9. SEGMENT REPORTING

Reportable segments are determined based on management s internal reporting approach, which is based on product line and complementary coverages. The reportable segments are comprised of Automobile, Flood, Commercial, Adjusting Services and All Other. The Automobile segment includes UIC s retained risk nonstandard automobile and premium finance operations, the runoff of the Nashville and South Carolina automobile operations, and the fee-based NC Facility, SC Facility and SCAAIP operations. The Flood segment contains all flood operations including the National Flood Insurance Program, flood zone determinations, excess flood and flood compliance tracking, as well as the runoff of the complementary homeowners product line. The Commercial segment includes all commercial operations, as well as the commercial automobile activity for the NC Facility and SC Facility. The Adjusting Services segment contains the catastrophe insurance claims handling for hurricanes, tornadoes, hailstorms, earthquakes and floods; catastrophe claims supervision; and ordinary claims adjusting for both the Company and external insurance companies. The All Other segment contains other runoff operations of the Company, including worker s compensation, environmental and general liability. While the majority of revenues and expenses are captured directly by each reportable segment, the Company does have shared revenues and expenses. Shared revenues comprised approximately 17% and 3% of total revenues for the three months ended March 31, 2002 and 2001 (see Note 2 for an explanation of the increase), and shared expenses comprised approximately 4% and 3% of total expenses for the three months ended March 31, 2002 and 2001. These shared amounts were allocated on a basis proportionate with each reportable segment s total net loss and LAE and unearned premium reserves. The results of the reportable segments are included in the following table:

	For the Three Months Ended March 31,			
	2002		2001	
Revenue:				
Automobile (*)	$	5,265	$	6,689
Flood		4,369		4,086
Commercial (*)		3,236		1,332
Adjusting Services		2,015		2,412
All Other		339		228
Total revenue	$	15,224	$	14,747
Expenses:				
Automobile	$	4,178	$	6,453
Flood		3,926		3,580
Commercial		2,574		553
Adjusting Services		1,792		2,090
All Other		250		1,052
Total expenses	$	12,720	$	13,728
Net income (loss):				
Automobile	$	1,087	$	236
Flood		443		506
Commercial		662		779
Adjusting Services		223		322
All Other		89		(824)
Total net income (loss)	$	2,504	$	1,019

* Revenues for the Automobile and Commercial segments are inclusive of $1,310 and $807, respectively, of allocated gain from the sale of the Company s equity investment in ISO (see Note 2).

PART I FINANCIAL INFORMATION

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Dollars shown in thousands except per share amounts)

The unaudited consolidated financial statements and notes thereto should be read in conjunction with the following discussion as they contain important information for evaluation of the Company s financial condition and operating results.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company s financial statements are prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management bases its estimates and assumptions on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Management has identified the following policies as critical in understanding and evaluating the Company s reported financial results:

Revenue Recognition

The Company derives a substantial portion of its income through commissions received as a servicing carrier and claims adjuster for the NFIP, the NC Facility, the SC Facility and various other customers. Commission income related to producing and underwriting the business is recognized in the period in which the business is written. Service income and fees related to claims processing and the Company s other fee-based services are recognized on an accrual basis as earned.

Property and casualty premiums are reflected in income when earned as computed on a monthly pro-rata basis. Written premiums and earned premiums have been reduced by reinsurance placed with other companies, including amounts related to business produced through the NC Facility, the SC Facility and the NFIP.

Other interest income includes interest received on reinsurance balances withheld, agents balances receivable, balances due from the SC Facility and the SCAAIP, and financing of premium notes receivable. Other interest income is recognized on an accrual basis as earned.

Policy Acquisition Costs

Policy acquisition costs attributable to property and casualty operations represent the portion of the cost of writing business that varies with, and is primarily related to, the production of business. Such costs are deferred and charged against income as the premiums are earned. The deferral of policy acquisition costs is subject to the application of recoverability tests to each primary line or source of business based on past and anticipated underwriting results. The deferred policy acquisition costs that are not recoverable from future policy revenues, if any, are expensed. The Company considers anticipated investment income in determining whether premium deficiencies exist.

Property and Casualty Unpaid Loss and LAE Reserves

The liability for property and casualty unpaid losses and LAE includes:

(1) An accumulation of case estimates for losses reported prior to the close of the accounting period.

(2) Estimates of incurred-but-not-reported losses based upon past experience and current circumstances.

(3) Estimates of allocated, as well as unallocated, LAE liabilities determined by applying percentage factors to the unpaid loss reserves, with such factors determined on a by-line basis based on past results of paid loss expenses to paid losses.

(4) The deduction of estimated amounts recoverable from salvage, subrogation, and second injury funds.

(5) Estimated losses for reinsurance ceded and assumed.

Management performs a complete review of the above components of the Company s loss reserves to evaluate the adequacy of such reserves. Management believes the reserves, which approximate the amount determined by independent actuarial reviews, are sufficient to prevent prior years losses from adversely affecting future periods; however, establishing reserves is an estimation process and adverse developments in future years may occur and would be recorded in the year so determined.

Legal Contingencies

The Company and its subsidiaries are parties to various lawsuits generally arising in the normal course of their insurance and ancillary businesses. The Company does not believe that the eventual outcome of such suits will have a material effect on the financial condition or results of operations of the Company. It is possible, however, that future results of operations for any particular quarterly or annual

13

period could be materially affected by changes in the Company s assumptions, or the effectiveness of its strategies, related to legal proceedings. Management consults with the Company s legal counsel in developing estimates of ranges of potential loss and in estimating any required legal reserves.

Allowance for Uncollectable Accounts

The Company routinely evaluates the collectability of its premiums and agents balances receivable and its premium notes receivable based upon past experience and known economic trends or conditions and establishes reserves for estimated uncollectable accounts. The Company believes its current estimated allowances for doubtful accounts are adequate. However, it is possible that the accuracy of the estimation process could be materially impacted as current economic trends or conditions change or develop.

Goodwill

Goodwill is the excess of the amount paid to acquire a company over the fair value of its net assets, reduced by amortization and any subsequent valuation adjustments. Goodwill is continually evaluated to determine if any portion of the remaining balance may not be recoverable. If circumstances suggest that its value may be impaired and the write-down would be material, an assessment of recoverability is performed and any impairment is recorded through a valuation allowance with a corresponding charge recorded in the statements of operations. Effective January 1, 2002, the Company ceased to amortize $4,513 of goodwill in accordance with the provisions of SFAS No. 142, Goodwill and Other Intangible Assets . In lieu of amortization, management is required to perform an initial impairment review of the Company s goodwill in 2002 and an annual impairment review thereafter.

Income Taxes

Over the last 10 to 15 years the Company has generated substantial net operating losses, which have resulted in a sizeable federal tax operating loss carryforwards and capital loss carryforwards of $103,921. In addition, the Company has experienced three change in ownership events since June 1998, which limit the Company s ability to fully utilize the benefit of these carryforwards. Due to its lack of consistent earnings, the Company has placed a full valuation reserve against its net deferred tax asset at March 31, 2002 and December 31, 2001. Subsequent revisions to the net realizable value of the net deferred tax asset could cause the Company s provision for income taxes to vary significantly from period to period, although its cash tax payments would remain unaffected until the benefit of the federal net operating loss carryforward expires or is utilized.

Other

The above listing is not intended to be a comprehensive list of all of the Company s accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by accounting principles generally accepted in the United States with no need for management s judgement in their application. There are also areas in which management s judgement in selecting any available alternative would not produce a materially different result.

OVERVIEW

Financial Condition

	March 31, 2002	December 31, 2001
Total cash and investments	$ 48,143	$ 45,874
Total assets	148,212	150,638
Total liabilities	118,678	131,074
Special stock	2,590	2,590
Shareholders equity	26,944	16,974
Book value per share:		
Preferred	10.00	0
Common	2.42	2.17

Results of Operations

		For the Three Months Ended March 31, 2002		2001
Commission and service income	$	8,512	$	9,152
Property and casualty premiums earned		3,457		3,873
Net investment income		539		651
Other interest income, net		34		569
Net realized gain (loss)		2,136		(218)
Policy fees and other income		546		720
Total revenue	$	15,224	$	14,747
Income from operations, before provision for income taxes	$	2,504	$	1,019
Provision for income taxes		0		0
Net income	$	2,504	$	1,019
Weighted average shares outstanding: Basic		7,832		7,832
Diluted		8,217		8,160

The Company is a provider of a wide range of services to the insurance industry as well as a provider of automobile, flood and other property and casualty insurance products. The Company is committed to providing quality customer service, building strong relationships with its customers, developing and capitalizing on territorial knowledge, and fostering the creativity and innovation of its associates.

The Company conducts business in two primary categories: fee-for-service operations and traditional insurance operations. Its fee-for-service operations include the activities of INS, its flood operations, and its operations as a servicing carrier for the SC Facility and the SCAAIP. INS provides a variety of claims-related management and adjudication services to the insurance industry, including claims handling, networked glass claims handling and automobile appraisals. The Company s flood unit is a leading provider, and is an original participant, in the NFIP, a flood insurance program administered by the federal government. In this capacity, the Company writes flood insurance for the NFIP in 46 states, and it offers excess flood insurance as a broker for Lloyd s of London and Wilshire National Corporation. As such, the Company receives commissions and fees from the NFIP, Lloyd s of London and Wilshire National Corporation, but retains no underwriting risk. The Company s flood operations also offers flood zone determinations and flood compliance tracking services through its subsidiary, AFS. The Company is a servicing carrier for the SC Facility and the SCAAIP. Under both of these pools, the Company issues policies and adjusts claims for a fee. The SC Facility began runoff in March 1999; however, the Company was able to cede premiums to the SC Facility through March 1, 2002, at which time final runoff of the SC Facility commenced. The Company is required to continue to adjudicate claims it ceded to the SC Facility during the final runoff, for which it will be paid a fee. The SCAAIP became effective in March 1999 and will survive the SC Facility. Although the SCAAIP offers the Company access to additional fee-based revenue with no underwriting risk, thus far into the runoff of the SC Facility, the Company has not experienced significant activity in the SCAAIP.

The Company s traditional insurance operations include its North Carolina nonstandard automobile subsidiary, UIC, and its commercial lines operations. UIC writes nonstandard automobile insurance primarily in the state of North Carolina. UIC cedes substantially all of its liability premiums to the NC Facility and adjusts the related claims for the NC Facility for a fee. Substantially all of UIC s retained risk operations is on physical damage policies, which are minimum limit policies partially reinsured through a quota share reinsurance agreement. The Company also writes commercial lines insurance, which includes business owner s policies, commercial package policies and commercial automobile policies.

These main street policies are sold primarily to small businesses. The Company reinsures the retained risk operations of UIC and its commercial lines operations through quota share, facultative, excess of loss, catastrophe and umbrella reinsurance agreements.

The Company seeks to balance its fee-based operations with selective risk underwriting to increase the Company s value for its shareholders, agents and employees by pursuing maximum growth with limited risk exposure.

RESULTS OF OPERATIONS

Commission and Service Income

Commission and service income decreased $640, or 7.0%, to $8,512 for the three months ended March 31, 2002 from $9,152 for the three months ended March 31, 2001. The automobile segment accounted for $681 of the overall net decrease, posting commission and service income of $2,345 for the three months ended March 31, 2002, versus $3,026 for the same period of 2001. The decrease is substantially the result of the continuing runoff of the SC Facility, a residual market for automobile insurance in the state of South Carolina. Effective March 1, 1999, no new policies could be ceded to the SC Facility, and no voluntary renewals could be ceded to the SC Facility after September 1999. Designated agents, such as the Company, were able to renew business in the SC Facility through March 1, 2002. Commission and service income generated through the SC Facility amounted to $673 for the three months ended March 31, 2002 and $976 for the same period of 2001, a decrease of $303. The operations of the Company s North Carolina domiciled subsidiary, UIC, accounted for another $375 decrease in commission and service income, resulting entirely from a decrease in premiums written and ceded to the NC Facility. The decrease is primarily attributable to the temporary reduction in premium volume from one of UIC s largest agents. The remaining $3 decrease in commission and service income resulted from the Company s activities as a servicing carrier for the SCAAIP.

Commission and service income for the commercial segment was $100 for the three months ended March 31, 2002, versus $175 for the same period of 2001, a decrease of $75. The overall decrease is substantially attributable to the net effect of two factors. First, in accordance with a mandate from the North Carolina Department of Insurance (NCDOI), the Company ceased writing new risk-bearing commercial business in the state of North Carolina at the beginning of the third quarter of 2000. Though the Company may, however, continue renewing existing risk-bearing commercial business at its discretion, any new commercial business generated is ceded to the NC Facility. Commission and service income generated through the NC Facility amounted to $100 and $59 for the three months ended March 31, 2002 and 2001, respectively, an increase of $41. Second, commission and service income generated through the SC Facility decreased $116 for the three months ended March 31, 2002 as compared to the same period of 2001 as a result of the continued runoff of the SC Facility.

The adjusting services segment accounted for another $197 of the overall decrease, posting commission and service income of $1,717 for the three months ended March 31, 2002, versus $1,914 for the same period of 2001. The overall decrease is substantially attributable to the continued runoff of the SC Facility. Commission and service income generated from the SC Facility amounted to $143 and $361 for the three months ended March 31, 2002 and 2001, respectively, a decrease of $218. The SC Facility has been in runoff since March 1, 1999 and entered the final stage of runoff effective March 1, 2002. The remaining increase of $21 came from the other activities of the adjusting services segment.

Commission and service income for the flood segment was $4,354 for the three months ended March 31, 2002, versus $4,032 for the same period of 2001, an increase of $322. As a servicing carrier for the NFIP, the Company recognizes income for the policies it processes and the claims it services in the amount of 31% of direct written premium and 3.3% of direct incurred losses, respectively. Throughout 2001 and continuing through the three months ended March 31, 2002, the Company s NFIP written premium increased at a rate that surpassed that of the NFIP, due primarily to obtaining several large books of flood business from independent insurance agents across the United States. This was facilitated by expanding the Company s product offering to independent agents and the introduction of new technology to its agency force, including internet-based policy rating and flood zone determination services. The Company s NFIP written premium increased $649 for the three months ended March 31, 2002 over the same period of 2001. Further, as a result of this premium growth and the retention of its NFIP book of business, the Company received marketing bonuses from the NFIP of $615 and $553 in March 2002 and 2001, respectively, an increase of $62.

The remaining $9 decrease in commission and service income came from all other operations.

Premiums Earned

Net premiums earned decreased $416, or 10.7%, to $3,457 for the three months ended March 31, 2002 from $3,873 for the three months ended March 31, 2001. The automobile segment accounted for $1,498 of the overall decrease, posting premiums earned of $1,250 for the three months ended March 31, 2002 versus $2,748 for the same period of 2001. The overall decrease primarily resulted from two factors. First, in the second and third quarters of 2000, respectively, the Company announced the discontinuation of its Nashville operations and its withdrawal from the voluntary nonstandard automobile market in South Carolina. Premiums earned from these operations for the three months ended March 31, 2002 amounted to $221, a decrease of $1,308 over the $1,529 earned for the same period of 2001. Second, premiums earned by UIC amounted to $976 for the three months ended March 31, 2002 versus $1,204 for the same period of 2001, a decrease of $228. During the last half of 2000 and into the first quarter of 2001, the Company had been retaining liability risks in the state of North Carolina rather than ceding the risks to the NC Facility in an attempt to gain a competitive advantage. In February 2001, a new management team with extensive experience in the North Carolina nonstandard automobile market was hired to oversee the operations of

UIC and the policy of retaining liability risks was terminated. As a result, substantially all liability risks written since March 2001 have been ceded to the NC Facility. Further contributing to the reduced premiums earned by UIC was the temporary reduction in premium volume from one of UIC s largest agents in the first quarter of 2002. The remaining $38 increase in premiums earned by the automobile segment came from business the Company is required to assume from the SC Facility.

Premiums earned by the commercial segment amounted to $2,200 for the three months ended March 31, 2002, versus $1,115 for the same period of 2001, an increase of $1,085. From April 1, 2000 through March 31, 2001, the Company s commercial lines were reinsured primarily through a 70% quota share reinsurance agreement. Effective April 1, 2001, the agreement was cancelled at the Company s request to capitalize upon the favorable underwriting results of the commercial book of business. Retaining a larger portion of its commercial book of business had a positive impact on the Company s premiums earned for the three months ended March 31, 2002 over the same period of 2001.

The remaining $3 decrease in premiums earned came from the Company s runoff operations.

Net Investment Income

Net investment income decreased $112, or 17.2%, to $539 for the three months ended March 31, 2002 from $651 for the three months ended March 31, 2001. The principal cause of the decrease was the gradual decrease throughout 2001 of the general level of market interest rates. For the three months ended March 31, 2002, the Company s investment portfolio yielded an average return of 5.61%, a deterioration over the 6.06% averaged for the same period of 2001.

Other Interest Income, Net

Net other interest income decreased $535, or 94.0%, to $34 for the three months ended March 31, 2002 from $569 for the three months ended March 31, 2001. The decrease is substantially due to two factors. First, net other interest income associated with the Company s Nashville operations decreased $293 to $0 for the three months ended March 31, 2002 from $293 for the same period of 2001. The Company s Nashville operations have been in runoff since the second quarter of 2000. The second factor in the decrease of net other interest income was the effect of a reduction in UIC premiums financed through PBP and toward unrelated finance companies. The majority of UIC s written premium has traditionally been financed through the Company s premium finance subsidiary, PBP. PBP received interest income from insureds on premiums it financed, as well as a variety of set up and maintenance fees associated with the related premium finance contracts. While PBP has proved to be an effective sales and marketing tool to facilitate premium growth for UIC over the years, management has continually struggled with the challenge of limiting the volume of bad debt expenses associated with its operations. As a result of PBP s operating losses and reassessments of its core competencies, the Company entered into a management contract with an unaffiliated company effective June 1, 2001 to manage the operations of PBP. In December 2001, UIC introduced an installment billing program to its insureds and PBP was placed into runoff. Net other interest income realized by PBP was $31 for the three months ended March 31, 2002 versus $266 for the same period of 2001, a decrease of $235. The remaining $7 decrease in net other interest income came from all other operations.

Net Realized Gain (Loss)

At December 31, 2001, the Company owned 32,676 shares of common stock of ISO which it had received in 1997 as a result of ISO converting from a mutual organization to a stock company. Since the equity security received in connection with the conversion was not marketable, the Company has historically valued the investment at cost ($0). In February 2002, ISO offered, and the Company accepted, to repurchase the Company s shares for a price of $64.80 per share, resulting in a realized investment gain of $2,117. Another $19 in gains were realized from the sale of investments for operations.

Net realized losses amounted to $218 for the three months ended March 31, 2001 due substantially to the sale of certain automobiles no longer required for operations and the disposal of certain obsolete data processing equipment and software.

Policy Fees and Other Income

Policy fees and other income decreased $174, or 24.2%, to $546 for the three months ended March 31, 2002 from $720 for the three months ended March 31, 2001. The Company s primary source of policy fees revenues is its Nashville nonstandard automobile operations and its premium financing operations of PBP, which were placed into runoff in June 2000 and December 2001, respectively. As a result, virtually no premiums were written through the Nashville operation or financed through PBP for the three months ended March 31, 2002. Because the policy fees associated with each of these operations are directly correlated to premium writings and financings, they decreased $312 to a balance of $18 for the three months ended March 31, 2002 versus $330 for the same period in 2001.

Further contributing to the overall decrease in policy fees and other income was a decrease of $194 associated with a division of the adjusting services segment. The division posted policy fees and other income of $297 for the three months ended March 31, 2002 versus $491 for the same period of 2001. The decrease is attributable to a general decrease in business volumes within the division s primary market of South Carolina resulting from the runoff of the SC Facility and the withdrawal of key customers automobile programs in the state.

Significantly offsetting these decreases in policy fees and other income was a $316 increase in other income resulting from the Company s equity in the earnings of its unconsolidated subsidiaries, Sunshine and QualSure, from a loss of $319 for the three months ended March 31, 2001 to a loss of $3 for the same period in 2002.

The remaining increase in policy fees and other income of $16 came from all other operations.

Losses and Loss Adjustment Expenses

Losses and LAE decreased $743, or 27.3%, to $1,976 for the three months ended March 31, 2002 from $2,719 for the three months ended March 31, 2001. The automobile segment accounted for $1,487 of the overall decrease, posting losses and LAE of $795 for the three months ended March 31, 2002 versus $2,282 for the same period of 2001. The decrease primarily resulted from two factors. First, in the second and third quarters of 2000, respectively, the Company announced the discontinuation of its Nashville operations and its withdrawal from the voluntary nonstandard automobile market in South Carolina. Losses and LAE incurred from these operations for the three months ended March 31, 2002 amounted to $153, a decrease of $1,384 over the $1,537 incurred for the same period of 2001. Second, losses and LAE incurred by UIC amounted to $566 for the three months ended March 31, 2002 versus $680 for the same period of 2001, a decrease of $114. During the last half of 2000 and into the first quarter of 2001, the Company had been retaining liability risks in the state of North Carolina rather than ceding the risks to the NC Facility in an attempt to gain a competitive advantage. In February 2001, a new management team with extensive experience in the North Carolina nonstandard automobile market was hired to oversee the operations of UIC and the policy of retaining liability risks was terminated. As a result, substantially all liability risks written since March 2001 have been ceded to the NC Facility. Further contributing to the reduced losses and LAE incurred by UIC was the temporary reduction in premium volume from one of UIC s largest agents in the first quarter of 2002. The remaining $11 increase in losses and LAE incurred by the automobile segment came from business the Company is required to assume from the SC Facility.

Furthering the overall decrease in losses and LAE was the $629 decrease posted by the Company s runoff environmental and workers compensation operations. During the three months ended March 31, 2001, the Company had been engaged in a general strengthening of its reserves for these runoff operations. As a result, the operation posted losses and LAE incurred of $663. No such policy was required for the same period of 2002 and the runoff operations posted losses and LAE incurred of $34.

Partially offsetting the decreases in losses and LAE incurred by the automobile and runoff segments was the $1,373 increase posted by the commercial segment. From April 1, 2000 through March 31, 2001, the Company s commercial lines were reinsured primarily through a 70% quota share reinsurance agreement. Effective April 1, 2001, the agreement was cancelled at the Company s request to capitalize upon the favorable underwriting results of the commercial book of business. Retaining a larger portion of its commercial book of business had a negative impact on the Company s losses and LAE incurred for the three months ended March 31, 2002 over the same period of 2001.

Policy Acquisition Costs

Policy acquisition costs remained relatively consistent between reporting periods, increasing $48 from a balance of $5,639 for the three months ended March 31, 2001 to a balance of $5,687 for the three months ended March 31, 2002. Fluctuations in policy acquisition costs are directly correlated to fluctuations in, and the relative mix of, segmental direct written premium. Although total direct written premium for the three months ended March 31, 2002 decreased $1,611 over the same period of 2001, $2,473 of the decrease resulted from the SC Facility and NC Facility components of the automobile segment, which pay much lower agent commissions than the commercial and flood segments, which experienced premium growth of $1,006 between reporting periods.

Interest Expense

Interest expense was $155 and $230 for the three months ended March 31, 2002 and 2001, respectively, a decrease of $75 directly attributable to interest saved through the pay down of debt and a reduction in interest rates.

On March 28, 2002, the Company issued 800,000 shares of Adjustable Rate Cumulative Nonvoting Preferred Special Stock to its majority shareholder and Chairman of the Board of Directors for an aggregate purchase price of $8,000. The proceeds from the transaction were used to repay the outstanding balance of the Company s Credit Facility.

Other Operating Costs and Expenses

Other operating costs and expenses decreased $238, or 4.6%, to $4,902 for the three months ended March 31, 2002 from $5,140 for the three months ended March 31, 2001. Although overall operating costs and expenses remained relatively stable between reporting periods, there were certain noteworthy individual fluctuations:

In September 2001, the Compensation Committee of the Company s Board of Directors recommended, and the Board of Directors approved, the adoption of an incentive compensation program covering certain members of management. Awards under the plan are payable each March and are based upon the Company s performance during the prior year ended December 31. The provisions of the plan require recipients to achieve a designated market value based ownership level in the Company to be eligible to participate in the plan. Other operating costs and expenses for the three months ended March 31, 2002 includes $453 related to the Company s obligations under the plan.

On March 28, 2002, the Company issued 800,000 shares of Adjustable Rate Cumulative Nonvoting Preferred Special Stock to its majority shareholder and Chairman of the Board of Directors for an aggregate purchase price of $8,000. The proceeds from the transaction were used to repay the outstanding balance of the Company s Credit Facility. In connection with this transaction, the unamortized portion of the deferred loan origination fees were expensed. As a result, other operating costs and expenses for the three months ended March 31, 2002 includes additional amortization expense of $81 as compared to the same period of 2001.

On December 21, 2000, the Company sold its corporate headquarters to its majority shareholder and Chairman of the Board of Directors. Concurrent with this transaction, the Company leased the property back for a fixed period of three years without an option for renewal. Monthly lease expense is calculated annually at a predetermined spread over the Prime Lending Rate. Lease expense for the three months ended March 31, 2002 was $73, a decrease of $45 over the expense incurred for the same period of 2001.

Effective January 1, 2002, the Company adopted SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 142 requires an entity to separate its goodwill, intangible assets with definite useful lives and intangible assets with indefinite useful lives. Goodwill and intangible assets with indefinite useful lives are no longer subject to periodic amortization. Rather they are subject to impairment tests that are required to be performed on at least an annual basis. As a result of adopting SFAS No. 142, other operating costs and expenses for the three months ended March 31, 2002 did not include goodwill amortization of $31.

LIQUIDITY AND CAPITAL RESOURCES

(Amounts shown in thousands)

Overview

Liquidity relates to the Company s ability to produce sufficient cash to fulfill its contractual obligations. In addition to payments for its routine and recurring operating expenses, the Company s principal contractual obligations include the payment of liabilities to its policyholders for unpaid losses, LAE and unearned premiums, the redemption of the Special Stock and the AFS Special Stock in August 2002, and the future lease payments under its various operating leases. The Company is not party to, or contingently liable for, any off balance sheet financing arrangements or guarantees of any related or unaffiliated third party debt.

The Company s principal sources of liquidity include the collection of commission and service fees, including substantial amounts received from the NFIP, NC Facility, SC Facility and QualSure; premium collections on insurance policies issued; the collection of policy fees and interest income on insurance policies financed; collections of balances due from its reinsurers; and the collection of net investment income and proceeds received from the sale or maturity of investments. The Company s cash outflows can vary greatly because of the uncertainties regarding settlement dates for liabilities for unpaid losses and LAE and because of the potential for large losses. Accordingly, the Company maintains investment and reinsurance programs generally intended to avoid the forced sale of investments to meet claims obligations.

The Company is a legal entity separate and distinct from its subsidiaries. As a holding company, the primary sources of cash needed to meet its obligations, including the redemption of its special stock and dividend payments on its Adjustable Rate Cumulative Nonvoting Preferred Special Stock, are dividends and other permitted payments, including management fees, from its subsidiaries and affiliates.

The Company believes that its existing sources of funds are adequate to enable it to conduct its business as described in this Quarterly Report on Form 10-Q for the foreseeable future.

Sources and Uses of Cash Flows

Operating Activities

Net cash provided by operations was $658 for the three months ended March 31, 2002, compared to net cash provided of $194 for the same period of 2001. Net income for the three months ended March 31, 2002 amounted to $2,504 (see Results of Operations). Included in the net income for the period is a gain on sale of equity securities of $2,117 (see *Investing Activities* below). Other significant sources of cash include the net collection of reinsurance recoverable on paid and unpaid losses and LAE of $1,331 and the $849 reduction in reinsurance premiums prepaid to the Company s reinsurers. As previously discussed, in the second and third quarters of 2000, respectively, the Company announced the discontinuation of its Nashville operations and its withdrawal from the voluntary nonstandard automobile market in South Carolina. As this business continued its runoff during the year ended December 31, 2001, collections on reinsurance recoverable on paid and unpaid losses and LAE outstanding at December 31, 2001 surpassed new recoverables being generated through continuing operations. Similarly, the SC Facility entered its final runoff effective March 1, 2002. As premiums written for the SC Facility continue to runoff, the Company experienced a reduction in the level of reinsurance premiums prepaid to the SC Facility.

Another significant source of cash was the $3,407 net decrease in premium notes receivable. As a result of PBP s operating losses and reassessments of its core competencies, the Company entered into a management contract with an unaffiliated company effective June 1, 2001 to manage the operations of PBP. In December 2001, UIC introduced an installment billing program to its insureds and PBP was placed into runoff.

Throughout 2001 and continuing through the three months ended March 31, 2002, the Company s NFIP written premium increased at a rate that surpassed that of the NFIP, due primarily to obtaining several large books of flood business from independent insurance agents across the United States. This was facilitated by expanding the Company s product offering to independent agents and the introduction of new technology to its agency force, including internet-based policy rating and flood zone determination services. As a result of this premium growth and the retention of its NFIP book of business, the Company received a marketing bonus from the NFIP of $615 in March 2002.

Significant uses of cash flows from operating activities include reductions in the liability for losses and LAE of $3,290 and the liability for unearned premiums of $383. The primary cause of these reductions is the continued runoff of the Company s environmental and workers compensation reserves and the discontinuation of the Company s Nashville operations and its withdrawal from the voluntary nonstandard automobile market in South Carolina. As the Nashville and South Carolina voluntary programs continued runoff during the three months ended March 31, 2002, the liabilities for losses and LAE and unearned premiums are being paid down and earned.

Another significant use of cash was the $1,287 net increase in premiums and agents balances receivable. The majority of UIC s written premium has traditionally been financed through PBP. While PBP has proved to be an effective sales and marketing tool to facilitate premium growth for UIC over the years, management has continually struggled with the challenge of limiting the volume of bad debt expenses associated with PBP s operations. In December 2001, UIC introduced an installment billing program to its insureds and PBP was placed into runoff.

In September 2001, the Compensation Committee of the Company s Board of Directors recommended, and the Board of Directors approved, the adoption of an incentive compensation program covering certain members of management. Awards under the plan are payable each March and are based upon the Company s performance during the prior year ended December 31. Accordingly, in March 2002, the Company paid $852 in settlement of its December 31, 2001 obligations under the plan.

Investing Activities

Investing activities for the three months ended March 31, 2002 used cash in the amount of $2,420. Cash expended in the purchase and sale of fixed assets amounted to $256 as the Company upgraded certain obsolete computer equipment and installed a backup generator at its corporate headquarters. Cash expended in the net acquisition of investments amounted to $2,164 for the three months ended March 31, 2002, primarily as a result of the Company s sale of a previously nonmarketable equity security. At December 31, 2001, the Company owned 32,676 shares of common stock of ISO which it had received in 1997 as a result of ISO converting from a mutual organization to a stock company. Since the equity security received in connection with the conversion was not marketable, the Company has historically valued the investment at cost ($0). In February 2002, ISO offered, and the Company accepted, to repurchase the Company s shares for a price of $64.80 per share, resulting in a realized investment gain of $2,117.

In its investment strategy, the Company attempts to match the average duration of its investment portfolio with the approximate duration of its liabilities. Total cash and investments at March 31, 2002 and December 31, 2001 were $48,143 and $45,874, respectively. All debt securities are considered available for sale and are carried at market value as of March 31, 2002 and

December 31, 2001. The weighted average maturity of the fixed income investments as of March 31, 2002 was approximately 2.27 years. Average net investment yields on the Company s cash and investments were 5.61% for the three months ended March 31, 2002.

Financing Activities

Financing activities for the three months ended March 31, 2002 provided cash in the amount of $239. The Company paid dividends on the Special Stock and the AFS Special Stock in the amount of $40 for the period. In addition, on March 28, 2002, the Company issued 800,000 shares of Adjustable Rate Cumulative Nonvoting Preferred Special Stock to its majority shareholder and Chairman of the Board of Directors for an aggregate purchase price of $8,000. The proceeds from the transaction were used to repay the outstanding balance of the Credit Facility and for general corporate purposes. The Adjustable Rate Cumulative Nonvoting Preferred Special Stock is non convertible and non redeemable and pays quarterly dividends at an annual adjustable rate of a pre-determined spread over LIBOR.

Restrictions on Dividends and Distributions

Except in limited circumstances, South Carolina and North Carolina insurance laws and regulations require a domestic insurer to report any action authorizing distributions to shareholders and material payments from subsidiaries and affiliates at least 30 days prior to distribution or payment. Additionally, those laws and regulations provide the South Carolina Department of Insurance and the NCDOI the right to disapprove and prohibit distributions meeting the definition of an Extraordinary Dividend under applicable statutes and regulations.

The South Carolina Insurance Holding Company Regulatory Act provides that, without prior approval of the Commissioner of Insurance of the State of South Carolina, dividends within any 12-month period may not exceed the greater of (i) 10% of a domestic insurer s surplus as regarding policyholders as shown in the insurer s most recent annual statement or (ii) the net income, not including realized capital gains or losses as shown in the insurer s most recent annual statement. Furthermore, dividends may only be paid out of positive earned surplus unless approved by the Commissioner. As of December 31, 2001, SCIC had an accumulated deficit.

The North Carolina Insurance Holding Company System Regulatory Act provides that, without prior approval of the Commissioner of Insurance of the State of North Carolina, dividends within any 12-month period may not exceed the lessor of (i) 10% of a domestic insurer s surplus as regarding policyholders as of the preceding December 31 or (ii) the net income, not including realized capital gains, for the 12-month period ending the preceding December 31. For 2002, dividends of approximately $522 are available from UIC to the Company.

Payment of cash dividends by the Company is at the discretion of its Board of Directors and is based on its earnings, financial condition, capital requirements and other relevant factors. If the ability of the Company s insurance subsidiaries to pay dividends or make other payments to the Company is materially restricted by regulatory or Credit Facility requirements, it could affect the Company s ability to service its special stock and/or pay dividends. In addition, no assurance can be given that North Carolina or South Carolina will not adopt statutory provisions more restrictive than those currently in effect.

The volume of premiums that the property and casualty insurance subsidiaries may prudently write is based in part on the amount of statutory net worth as determined in accordance with applicable insurance regulations. The NAIC has adopted RBC requirements for property and casualty insurance companies to evaluate the adequacy of statutory capital and surplus in relation to investment and insurance risks such as asset quality, asset and liability matching, loss reserve adequacy, and other business factors. The RBC formula is used by state insurance regulators as an early warning tool to identify, for the purpose of initiating regulatory action, insurance companies that are potentially inadequately capitalized. Compliance is determined by the ratio of the Company s regulatory total adjusted capital to its company action level RBC (as defined by the NAIC). Companies which fall below the company action level RBC are required to disclose plans to remedy the situation. All of the insurance subsidiaries have ratios in excess of the level that would prompt regulatory action.

SAFE HARBOR STATEMENT UNDER THE

PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Some of the statements discussed or incorporated by reference in this quarterly report on Form 10-Q are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding management s current knowledge, expectations, estimates, beliefs and assumptions. All forward-looking statements included in this document or incorporated by reference are based on information available to the Company on the date hereof, and the Company assumes no obligation to update any such forward-looking statements. Results may differ materially because of both known and unknown risks and uncertainties which the Company faces. Factors which could cause results to differ materially from our forward-looking statements include, but are not limited to:

the possibility that the Company will be unable to meet its cash flow requirements; the Company has suffered losses in recent years and the Company may continue to experience losses in the future;

the ability to satisfy maturing obligations related to the Company s Special Stock and AFS Special Stock;

the ability to secure additional sources of revenue;

the ability to secure and maintain long-term relationships with customers and agents;

the effects of economic conditions and conditions which affect the market for property and casualty insurance, including, but not limited to, interest rate fluctuations and flood zone determination services;

the effects and impact of laws, rules and regulations which apply to insurance companies;

the effects if estimated reserves for losses and LAE established by the Company are deficient;

geographic concentrations of loss exposure, causing revenues and profitability to be subject to prevailing regulatory, demographic and other conditions in the area in which the Company operates;

the availability of reinsurance and the ability of the Company s reinsurance arrangements to balance the geographical concentrations of the Company s risks;

the impact of competition from new and existing competitors, which competitors may have superior financial and marketing resources than the Company;

the continuing impact of the decisions to exit the Nashville and South Carolina nonstandard automobile operations;

the risk that current initiatives may not be successful;

restrictions on the Company s ability to declare and pay dividends;

the fact that the Company has experienced, and can be expected in the future to experience, storm and weather-related losses, which may result in a material adverse effect on the Company s results of operations, financial condition and cash flows;

the uncertainty associated with estimating loss reserves, and the adequacy of such reserves, capital resources and other financial items;

the costs of defending pending litigation and administrative proceedings and the risk of material adverse outcomes of pending and potential litigation and administrative proceedings involving the Company;

control of the Company by a principal shareholder, which shareholder has the ability to exert significant influence over the policies and affairs of the Company;

risks the Company faces in diversifying the services it offers and entering new markets, including risks associated with the Company s development and deployment of new management information systems to develop and deploy new strategies; and

other risk factors listed from time to time in the Company s Securities and Exchange Commission filings.

Accordingly, there can be no assurance that the actual results will conform to the forward-looking statements discussed or incorporated by reference in this quarterly report on Form 10-Q.

PART I FINANCIAL INFORMATION

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

A substantial portion of the Company s cash and investments is comprised of investments in market-rate sensitive debt securities. The amortized costs and estimated market values of these market-rate sensitive investments as of March 31, 2002 and December 31, 2001 are as follows:

	2002		2001	
	Amortized Cost	Estimated Market Value	Amortized Cost	Estimated Market Value
U.S. Government, government agencies and authorities	$ 13,918	$ 14,135	$ 14,202	$ 14,605

States, municipalities and political subdivisions	375	389	375	388
Corporate bonds	22,516	22,870	17,930	18,545
Total	$ 36,809	$ 37,394	$ 32,507	$ 33,538

22

The market values of these investments can fluctuate greatly according to changes in the general level of market interest rates. For example, a one percentage point increase (decrease) in the general level of market interest rates would (decrease) increase the total estimated market value of the Company s debt securities by approximately $(1,063) and $957, respectively, as of March 31, 2002. In its investment strategy, the Company attempts to match the average duration of its investment portfolio with the approximate duration of its liabilities. All debt securities are considered available for sale and are carried at market value as of March 31, 2002 and December 31, 2001. The weighted-average maturity of the fixed income investments as of March 31, 2002 was approximately 2.27 years.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

(a) Litigation was initiated in the United States District Court for the Middle District of Florida, Tampa Division in November 2001 by QualSure, a Florida property and casualty insurance holding company that was formerly known as Magna Holding Corporation, and involves three of the Company s wholly-owned subsidiaries SCIC, Catawba, and Consolidated American Insurance Company (CAIC), who are the three defendants to the litigation and who collectively own 30.625% of the stock of QualSure. There are five plaintiffs QualSure; QualSure Insurance Corporation and QualSure Underwriting Agencies, Inc., which are subsidiaries of QualSure; and Fenelon Ventures II LLC and N.E.M. (West Indies) Insurance Ltd., two stockholders of QualSure. The eight entities involved in the litigation are all parties to a January 20, 2000 Securities Purchase Agreement concerning the purchase of QualSure stock, a January 21, 2000 Stockholders Agreement that governs the rights of the stockholders in, among other things, disposing of their stock in QualSure, and numerous other documents that provide for the management and control of QualSure.

In or about June 2001, SCIC, Catawba, and CAIC entered into negotiations to sell their investments in QualSure to an unrelated third party. On November 2, 2001, the plaintiffs initiated the litigation against SCIC, Catawba, and CAIC by filing a Complaint, a motion for a preliminary injunction, and a motion for expedited discovery. Plaintiffs filed their First Amended Complaint on December 13, 2001; the allegations in the First Amended Complaint are substantially similar to the allegations in the original Complaint. The First Amended Complaint alleges that SCIC, Catawba and CAIC improperly divulged confidential information belonging to QualSure in their negotiations with the third party. Plaintiffs generally allege that defendants dissemination of certain information regarding QualSure s policyholders and QualSure s calculations of Probable Maximum Loss injured QualSure in its efforts to obtain reinsurance for 2002. The First Amended Complaint alleges claims for breach of contract (based on a confidentiality provision in the Stockholders Agreement), breach of fiduciary duties (for defendants alleged dissemination of the confidential information), and misappropriation of confidential and proprietary information and trade secrets (under Florida s Uniform Trade Secrets Act). Plaintiffs seek compensatory damages in excess of $75, punitive damages, and preliminary and permanent injunctive relief.

Defendants filed a motion to disqualify plaintiffs lead law firm, which was representing the Company in certain matters at the time the plaintiffs initiated the litigation. The Court granted the motion on December 13, 2001. In addition, defendants filed a motion to dismiss the First Amended Complaint on December 14, 2001, on the ground that the First Amended Complaint fails to state claims against SCIC, Catawba, and CAIC upon which relief may be granted. That motion is now fully briefed and is pending a decision. Meanwhile, each side has propounded and responded to written discovery requests. SCIC, Catawba and CAIC have not as yet filed their answers to the First Amended Complaint, nor have they filed their response to plaintiffs motion for a preliminary injunction. Management believes SCIC, Catawba and CAIC have meritorious defenses to the foregoing action and it will be vigorously contested.

SCIC, Catawba and CAIC have filed a lawsuit in the United States District Court for the Middle District of Florida, Tampa Division against the plaintiffs and R. Thomas Savage, Jr. personally, alleging interference with a business relationship, interference with a prospective business advance, breach of the Stockholder s Agreement and breach of fiduciary duty.

(b) In February 2002, litigation was initiated in the District Court of Shelby County, Texas, in a lawsuit styled Mary Masterson, individually and on behalf of all others similarly situated, vs. America s Flood Service, Inc., et al. The litigation involves both the Company and its wholly owned subsidiary, AFS, and is in its very earliest stages, with appearances and responsive pleadings due by early April. The pleadings allege that a putative class of persons in Texas received facsimile advertisements in violation of the federal Telephone Consumer Protection Act (TCPA). The plaintiffs seek statutory minimum damages of five hundred dollars per fax, plus additional damages of up to one thousand five hundred dollars per fax for allegedly knowingly violating the TCPA.

(c) Litigation was initiated in the Superior Court of the State of Arizona on March 25, 2002 by Du Pre Insurance Services, Inc., a California corporation, Infinet Holdings, Inc., an Arizona corporation, Human Dynamics Corporation, a California corporation and HDC Financial Services Corporation, an Arizona corporation. The litigation involves the Company, SCIC and CAIC. The pleadings allege that SCIC and CAIC issued a workers compensation insurance policy to HDC and subsequently cancelled the policy in violation of Arizona law. In April 2002, Defendants filed their Answer to First Amended Complaint and Verified Counterclaims requesting recession of any policies or in the alternative, cancellation of any such policies. Each side has propounded and responded to written discovery requests and completed depositions. A trial has been scheduled for May 10, 2002.

(d) The Company and its subsidiaries are parties to various other lawsuits generally arising in the normal course of their insurance and ancillary businesses. The Company does not believe that the eventual outcome of such suits will have a material effect on the financial condition or results of operations of the Company.

Item 2. Changes in Securities and Use of Proceeds.

On March 28, 2002, the Company issued 800,000 shares of Adjustable Rate Cumulative Nonvoting Preferred Special Stock to its majority shareholder and Chairman of the Board of Directors for an aggregate purchase price of $8,000. The proceeds from the transaction were used to repay the outstanding balance of the Credit Facility and for general corporate purposes. The Adjustable Rate Cumulative Nonvoting Preferred Special Stock is non convertible and non redeemable and pays quarterly dividends at an annual adjustable rate of a pre-determined spread over LIBOR. The Adjustable Rate Cumulative Nonvoting Preferred Special Stock was issued pursuant to Section 4(2) of the Securities Act of 1933, as amended (the Securities Act) in a transaction exempt from the registration requirements of the Securities Act.

Item 3. Defaults Upon Senior Securities.

None.

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

None.

Item 5. Other Information.

None.

Item 6. Exhibits and Reports on Form 8 K.

(a) List of exhibits

3.1 Restated Articles of Incorporation of the Registrant, as amended, dated February 12, 1999, incorporated herein by reference to the Annual Report on Form 10-K, Exhibit 3.1, for the year ended December 31, 1998. Articles of Amendment to the Restated Articles of Incorporation, dated March 28, 2002, incorporated herein by reference to the Annual Report on Form 10-K, Exhibit 3.1, for the year ended December 31, 2001.

3.2 By-laws of the Registrant, as amended and restated, dated February 4, 1999, incorporated herein by reference to the Annual Report on Form 10-K, Exhibit 3.2, for the year ended December 31, 1998.

4.1 The rights of the Company s equity security holders are defined in the Company s Restated Articles of Incorporation, as amended, dated February 12, 1999, incorporated herein by reference to the Annual Report on Form 10-K, Exhibit 3.1, for the year ended December 31, 1998 and the Company s Articles of Amendment to the Restated Articles of Incorporation, dated March 28, 2002, incorporated herein by reference to the Annual Report on Form 10-K, Exhibit 3.1, for the year ended December 31, 2001.

4.2 Form of the certificate of the Company s Common Stock, par value $1.00 per share, incorporated herein by reference to the Registrant s Registration Statement on Form S-2 (File No. 333-24081).

10.1 The Seibels Bruce Group, Inc. Stock Ownership Bonus Program, adopted January 25, 2002.

(b) Reports on Form 8-K:

None.

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.

The Seibels Bruce Group, Inc.
(Registrant)

Date: May 10, 2002

/s/ John E. Natili
John E. Natili
President and Chief Executive Officer

Date: May 10, 2002

/s/ Kenneth W. Marter
Kenneth W. Marter
Chief Financial Officer and Treasurer

Date: May 10, 2002

/s/ Bryan D. Rivers
Bryan D. Rivers, CPA
Controller (Principal Accounting Officer)